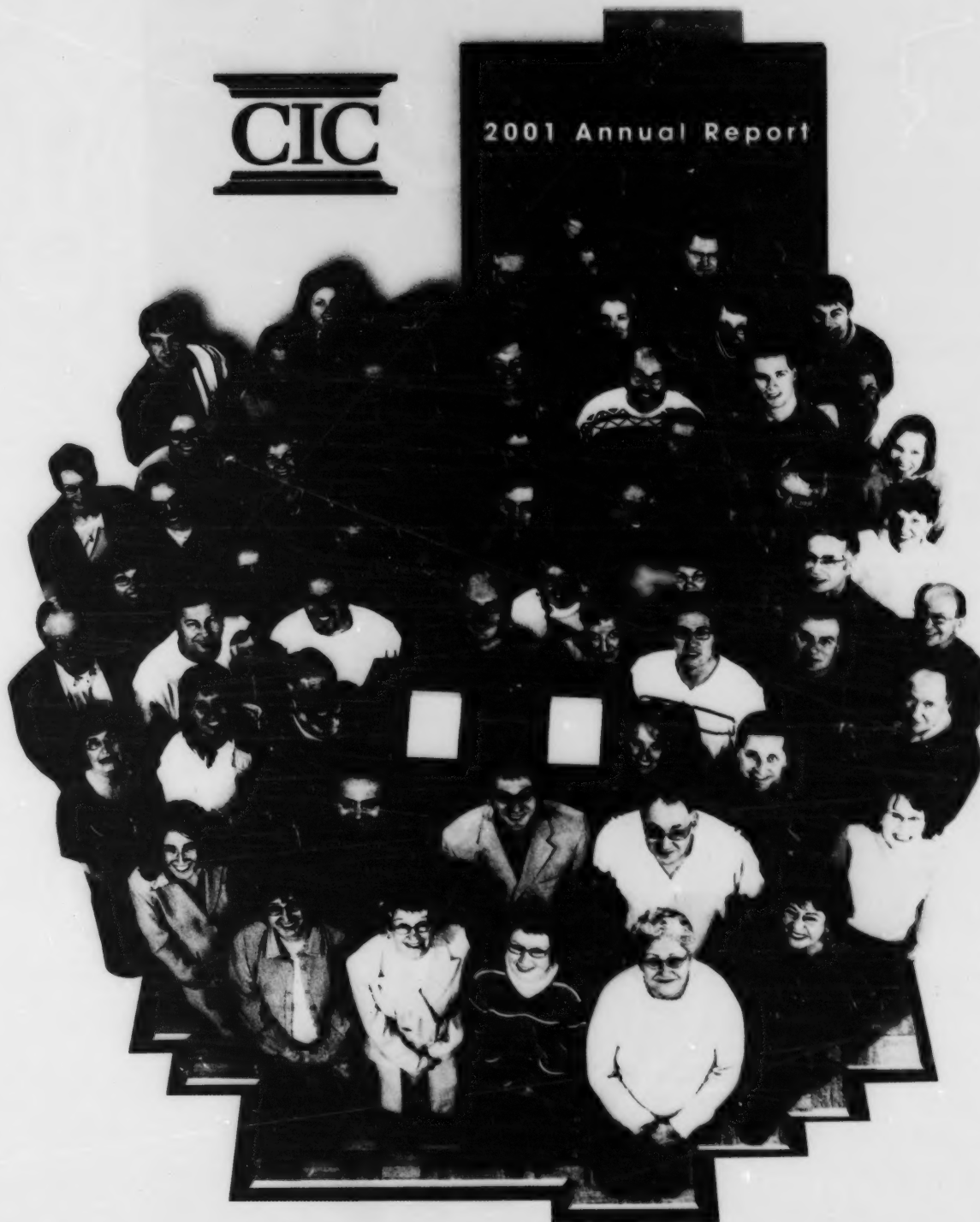


Crown Investments Corporation of Saskatchewan



2001 Annual Report



Letter of Transmittal



Regina, Saskatchewan
March 31, 2002

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of
Saskatchewan

Madam:

I have the honour to submit herewith the twenty-fourth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2001 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,



Maynard Sonntag
Minister of Crown Investments Corporation

Table of Contents

2.	Messages from the Chair and the President
3.	Vision, Mission and Values
4.	2001 Objectives and Accomplishments
6.	2002 Performance Management Objectives, Measures and Targets
8.	Corporate Charter
9.	Management's Discussion & Analysis
35.	Corporate Governance
47.	CIC Consolidated Financial Statements
73.	CIC Non-Consolidated Financial Statements
89.	CIC Industrial Interests Inc. Non-Consolidated Financial Statements

Chair's Message

One of the biggest challenges of 2001 was finding a way to cope with skyrocketing natural gas prices. Saskatchewan consumers had enjoyed natural gas rates that were the lowest or second lowest in the country over the past few years, but they felt the effects along with everyone else when North American natural gas prices rose dramatically early last year. Consumers asked for assistance, and government responded with an extraordinary solution to help cushion home heating costs for Saskatchewan families. Government directed SaskEnergy to absorb the entire \$76 million deficit in its Gas Cost Variance Account. This move saved the average residential customer \$180 a year, but affected SaskEnergy's and CIC's bottom lines. This solution was possible because SaskEnergy is a Crown corporation. It would not have happened with a private natural gas utility.



CIC continued to implement its investment strategy in 2001 by making investments that focused on job creation and economic growth, and are expected to provide a good rate of return. CIC invested \$15 million in Premium Brands Inc., a specialty food company which is expanding its operations in Saskatchewan and creating 120 jobs in the Yorkton area and other rural regions of the province. CIC also formed a partnership with Tolko Industries Ltd. of B.C. to build a \$220 million Oriented Strand Board mill near Meadow Lake. The project will create more than 260 jobs for northerners and help develop Saskatchewan's forest industry. CIC joined with Saskatchewan Opportunities Corporation to invest \$10 million in Western Life Sciences Venture Fund, which will provide seed capital for companies in the early stages of pharmaceutical and medical developments. And, CIC invested \$4.5 million in Regina Motion Picture Video & Sound Ltd. to help the motion picture company expand its operations.

These are just a few of our accomplishments for 2001, and they set the tone for another promising year in 2002.

I am pleased to present CIC's 2001 Annual Report.

Maynard Sonntag
Minister of Crown Investments Corporation
Chair of the Board of Directors

President's Message

The Crown corporation sector will play a key role in achieving government's goals in the years ahead. We can chart our own course in Saskatchewan because we own companies that provide services and infrastructure which are vital to the building of a modern economy.

Owning Crown corporations and holding major investments in other companies presents enormous challenges and responsibilities. I am pleased to say CIC has again been recognized for its management practices and its initiatives in the areas of corporate governance and performance management. The Conference Board of Canada rates our Crown governance among the best in Canada for all companies in both the public and private sectors. We have received positive reviews on our improved reporting and balanced scorecard from the Provincial Auditor, as well as recognition from the Auditor General of Canada. Bond rating agencies have also cited improved Crown sector performance as a key reason for a number of credit rating upgrades Saskatchewan has received in recent years.

I am pleased to report two other key initiatives for 2001. The corporate web site www.cicorp.sk.ca provides public information about CIC, our services, and our financial results. And CIC staff developed and endorsed a corporate charter which defines the principles and sets guidelines for how we'll continue to work together as a team.



We look forward to the challenges of 2002 and beyond.

Frank Hart
President and CEO

Vision

CIC provides a strategic focus to the Crown corporation sector and is a centre of excellence for public investment. CIC is financially self-sufficient and is a leader in facilitating economic growth through commercially viable investments.

Mission

We are the Province of Saskatchewan's leading authority that

establishes the strategic direction for enabling Crown corporations through efficient governance and performance management.

ensures continuity of business operations and maintains a high level of service to the public.

achieves Saskatchewan's long-term economic growth and development through innovation and Crown corporations.

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and,
- being a model employer by developing our employees' knowledge and skills.

2001 Objectives and Accomplishments

CIC has developed specific corporate objectives, measures and targets in its business plan that are aligned with the shareholder's expectations from the perspectives of leadership, customers and stakeholders, public purpose, financial, and, innovation and learning. In turn, CIC's Balanced Scorecard is aligned with the Crown Sector Strategic Plan. Together, the Crown Sector Strategic Plan and Balanced Scorecard form an integrated strategic performance management system.

Leadership Scorecard

Crown Sector Strategic Goal

Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment.

CIC's Strategic Goal

Provide overall strategic leadership to subsidiary Crown corporations that respects corporate autonomy while striving to ensure appropriate corporate accountability.

Objectives

Effective leadership to subsidiaries

Measures and Targets

- Subsidiaries' Balanced Scorecard targets aligned with Crown Sector Strategic Plan.
- Ensure specific public policy objectives are set forth in all Crown business plans.
- Seek to implement improvements in Crown sector governance as required.

2001 Results

- Achieved.
- Achieved.
- Achieved (refer to Corporate Governance page 35).
- Retention rate: exceeded. Retention rate was 98 per cent. Expansion of client base: achieved. One new client added.

Deliver highly competitive benefit and pension programs to Saskatchewan corporations

- Achieve a 90 per cent retention rate of current participants and expand non-government client base.

Public Purpose Scorecard

Crown Sector Strategic Goal

Contribute to social, economic and environmental public policies.

CIC's Strategic Goal

Apply CIC specific socio-economic policy measures consistent with the Crown Sector Strategic Plan.

Objectives

Efficient and effective delivery of the Government's public purpose expectations for the Crown sector

Measures and Targets

- Continue implementation of investment strategy to contribute to wealth and employment creation, with particular attention to agriculture and related industries; biotechnology; and, information technology.
- Continue to work towards representative workforce through new hires.
- Incorporate environmental considerations into all investment decisions.

2001 Results

- In 2001, the CIC Board approved \$80 million in new investments in a variety of sectors, including food processing and forestry. When the associated projects are completed, these investments are expected to create over 550 direct jobs.
- 20 per cent of new hires self-identified as members of designated equity groups.
- Achieved.

2001 Objectives and Accomplishments

Customer and Stakeholders Scorecard

Crown Sector Strategic Goal

Exceed customer expectations for products and services.

CIC's Strategic Goal

Provide exceptional service and support to CIC customers, particularly to the Board of Directors, and communicate effectively with stakeholders.

Objectives

Exceptional customer service

Measures and Targets

- Attain an 80 per cent satisfaction level for services provided to CIC Board, Crown boards and Crown executives.

2001 Results

- Satisfaction levels:
 - CIC Board - progressing; implementing enhancements to CIC Board meeting agenda flow.
 - Crown boards - achieved.
 - Crown executives - progressing; implementing enhancements to planning process.
 - Working on further development and standardization of satisfaction measures.

Transparency and accountability of reporting to the public by the Crown sector

- On time preparation of Annual Report, Semi-Annual Financial Report.
- Significant transaction reporting to Crown Corporations Committee within 90 days.

• Achieved.

• Achieved.

Financial Scorecard

Crown Sector Strategic Goal

Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC's Strategic Goal

Optimize the return for CIC's investment portfolio and create self-sufficiency for CIC while supporting the government's fiscal objectives.

Objectives

Appropriate financial return to the General Revenue Fund (GRF) on the public's investment

Measures and Targets

- Declare a dividend to the GRF of \$200 million on regular 2001 net earnings.
- Attain a shareholder cash flow return on equity of 11.5 per cent via regular dividend on 2001 earnings.

2001 Results

- Achieved.
- Achieved. Return was 11.7 per cent.

Innovation and Learning Scorecard

Crown Sector Strategic Goal

Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

CIC's Strategic Goal

Develop and support the people who work at CIC.

Objectives

Quality workforce and work environment

Measures and Targets

- Complete and implement a Job Evaluation Plan.
- Promote ongoing learning and skills upgrading by providing training and development plans to all employees annually and incorporate into performance evaluation process.
- Ensure that employees have access to effective technology through ongoing review of hardware and software with upgrading/replacement as required.
- Employee satisfaction level of 75 per cent or higher.

2001 Results

- Plan complete. Working on implementation issues and processes.
- Achieved.
- Achieved.
- Exceeded. Satisfaction level was 95 per cent.

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2002 Performance Management Objectives, Measures and Targets

The chart below details key elements of CIC's 2002 performance management objectives, measures and targets in its Balanced Scorecard and their alignment with strategic goals in the Crown Sector Strategic Plan.

Leadership Scorecard	
Crown Sector Strategic Goal	Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment.
CIC's Strategic Goal	Strategic investments and effective leadership to Crown subsidiaries and within the public sector.
Objectives	Measures and Targets
Demonstrate leadership with Government's investments	• Meet or exceed shareholder expectations.
Catalyst for economic development in Saskatchewan	• Meet or exceed shareholder expectations.
Effective governance and performance management of Crown subsidiaries	• Meet or exceed shareholder expectations.
Proactive CIC/Crown participation on joint executive government/Crown sector issues	• Meet or exceed shareholder expectations.

Public Purpose Scorecard	
Crown Sector Strategic Goal	Contribute to social, economic and environmental public policies.
CIC's Strategic Goal	Apply CIC specific socio-economic policy measures consistent with the Crown Sector Strategic Plan.
Objectives	Measures and Targets
Strategic investments in support of public policy	• Continue implementation of investment strategy to contribute to wealth and employment creation, with particular attention to agriculture and related industries; biotechnology; and, information technology.
Representative Saskatchewan profile	• Progress towards annual corporate and long term Human Rights Commission workplace targets.
Environmental stewardship and protection	• Incorporate environmental considerations into all investment decisions.

2002 Performance Management Objectives, Measures and Targets

Customers and Stakeholders Scorecard

Crown Sector Strategic Goal

Exceed customer expectations for products and services.

CIC's Strategic Goal

Provide exceptional service and support to CIC customers, particularly to the Board of Directors, and communicate effectively with stakeholders.

Objectives

Accountability and public reporting of the Crown Sector

Development, guidance and support to CIC Board, Crown boards and Crown executives

Highly competitive benefit and pension programs

Measures and Targets

- On-time preparation of Annual Report, Semi-Annual Financial Report, and significant transaction reports.
- Attain an 80 per cent satisfaction level for services provided to CIC Board, Crown boards and Crown executives.
- Achieve a 90 per cent retention rate of current participants and expand non-government client base by two.

Financial Scorecard

Crown Sector Strategic Goal

Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC's Strategic Goal

Optimize the return from CIC's investment portfolio and create self-sufficiency for CIC while supporting the government's fiscal objectives.

Objectives

Appropriate return to the GRF

Optimize returns from CIC III and NewGrade investments

Strengthen portfolio balance

Measures and Targets

- Declare a dividend to the GRF of \$300 million.
- Attain a shareholder cash flow return on equity of 19.5 per cent.
- Achieve a five per cent return on equity.
- Work toward achieving CIC III investment balance, equity 60 per cent, loans 40 per cent.
- Average exposure per investment at \$14 million.

Innovation and Learning Scorecard

Crown Sector Strategic Goal

Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

CIC's Strategic Goal

Develop and support the people who work at CIC.

Objectives

High employee satisfaction

Enhance skills and competencies

Measures and Targets

- Maintain an employee satisfaction level greater than 75 per cent.
- Establish development plans for all employees.
- Training dollars as a percentage of payroll at four per cent.

2002 Performance Management Objectives, Measures and Targets

The chart below details key elements of CIC's 2002 performance management objectives, measures and targets in its Balanced Scorecard and their alignment with strategic goals in the Crown Sector Strategic Plan.

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Demonstrate leadership with Government's investments	• Meet or exceed shareholder expectations
Catalyst for economic development in Saskatchewan	• Meet or exceed shareholder expectations
Effective governance and performance management of Crown subsidiaries	• Meet or exceed shareholder expectations
Proactive CIC Crown participation on joint executive government Crown sector issues	• Meet or exceed shareholder expectations

Public Purpose Scorecard	
Crown Sector Strategic Goal	Contribute to social, economic and environmental public policies.
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Environmental stewardship and protection	• Incorporate environmental considerations into all investment decisions

2002 Performance Management Objectives, Measures and Targets

Customers and Stakeholders Scorecard

Crown Sector Strategic Goal

Exceed customer expectations for products and services.

CIC's Strategic Goal

Provide exceptional service and support to CIC customers, particularly to the Board of Directors, and communicate effectively with stakeholders.

Objectives

Accountability and public reporting of the Crown Sector

Development, guidance and support to CIC Board, Crown boards and Crown executives

Highly competitive benefit and pension programs

Measures and Targets

- On-time preparation of Annual Report, Semi-Annual Financial Report, and significant transaction reports.
- Attain an 80 per cent satisfaction level for services provided to CIC Board, Crown boards and Crown executives
- Achieve a 90 per cent retention rate of current participants and expand non government client base by two

Financial Scorecard

Crown Sector Strategic Goal

Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC's Strategic Goal

Optimize the return from CIC's investment portfolio and create self-sufficiency for CIC while supporting the government's fiscal objectives.

Objectives

Appropriate return to the GRF

Optimize returns from CIC III and NewGrade investments

Strengthen portfolio balance

Measures and Targets

- Declare a dividend to the GRF of \$300 million
- Attain a shareholder cash flow return on equity of 19.5 per cent
- Achieve a five per cent return on equity
- Work toward achieving CIC III investment balance: equity 60 per cent, loans 40 per cent
- Average exposure per investment at \$14 million

Innovation and Learning Scorecard

Crown Sector Strategic Goal

Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

CIC's Strategic Goal

Develop and support the people who work at CIC.

Objectives

High employee satisfaction

Enhance skills and competencies

Measures and Targets

- Maintain an employee satisfaction level greater than 75 per cent
- Establish development plans for all employees
- Training dollars as a percentage of payroll at four per cent

CIC Corporate Charter

During 2001, CIC developed and endorsed a corporate charter. A corporate charter is a set of clear guidelines that define how people in an organization can expect to work together. The process of developing CIC's Corporate Charter involved the participation of all employees to put into their own words CIC's defining principles and team expectations. The purpose of the CIC Corporate Charter is to guide the behaviours and clarify the obligations and responsibilities of its employees. The CIC Corporate Charter is designed to encourage and reinforce staff teamwork, cooperation, high productivity and effective decision-making.

CIC's Corporate Charter embraces the following guiding principles:

Democratic Principles

We abide by our responsibilities as established in **The Crown Corporations Act, 1993** and assist Ministers in serving the common good.

Professional Principles

We are committed to:

- excellence and merit;
- providing objective and impartial advice to the Government; and,
- serving the people of Saskatchewan.

Ethical Principles

Honesty, integrity, and courage guide our actions and decisions. We work to achieve the goals of the corporation and enhance its reputation in the Saskatchewan and global community.

People Principles

We trust our colleagues, respect their needs and aspirations, recognize their contributions and commit to working as a team in fulfilling the Corporation's goals and objectives; we draw strength and creativity from the diversity of Saskatchewan society.

Management's Discussion & Analysis

Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC or through its wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) of CIC's consolidated 2001 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release.

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC has the following lines of business:

Major Business Line	Investment	Form of Investment
Utilities:		
Electricity	Saskatchewan Power Corporation (SaskPower)	wholly-owned subsidiary
Telecommunications	Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	wholly-owned subsidiary
Natural Gas	SaskEnergy Incorporated (SaskEnergy)	wholly-owned subsidiary
Water Management	Saskatchewan Water Corporation (Sask Water)	wholly-owned subsidiary
Land & Property Registration Services	Information Services Corporation of Saskatchewan (ISC)	wholly-owned subsidiary
Insurance:		
Property and Casualty	Saskatchewan Government Insurance (SGI)	wholly-owned subsidiary
Life	HARO Financial Corporation (HARO)	non-voting equity interest and loan
Commodity-Based Investments:		
Heavy Oil	NewGrade Energy Inc. (NewGrade)	50.0 per cent equity interest and loans
Forestry	Meadow Lake Pulp Limited Partnership (MLPLP)	50.0 per cent partnership interest and loans
Fertilizer	Saskderco Products Inc. (Saskderco)	49.0 per cent equity interest
Mining	Cameco Corporation (Cameco)	9.7 per cent equity interest
Agricultural/Food Processing	Saskatchewan Valley Potato Corporation (SVPC)	wholly-owned subsidiary
	Big Sky Farms Inc. (Big Sky)	40.0 per cent equity interest
	Centennial Foods Partnership (Centennial)	35.0 per cent partnership interest
	Premium Brands Inc. (Premium)	12.1 per cent equity interest
Economic Growth:		
Infrastructure and Small Business Investment	Saskatchewan Opportunities Corporation (SOCO)	wholly-owned subsidiary
	Foragen Technologies Management Inc.	33.3 per cent partnership interest
Immigrant Investor Program	Saskatchewan Government Growth Fund Management Corporation (SGGF)	wholly-owned subsidiary
Transportation:		
Passenger and Freight Transportation	Saskatchewan Transportation Company (STC)	wholly-owned subsidiary

Profiles of each subsidiary Crown corporation and major investment are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

¹ Sold subsequent to year-end.



Major Lines of Business

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Natural Gas	SaskEnergy Incorporated (SaskEnergy)	wholly-owned subsidiary
Water Management	Saskatchewan Water Corporation (Sask Water)	wholly-owned subsidiary
Land & Property Registration Services	Information Services Corporation of Saskatchewan (ISC)	wholly-owned subsidiary
Insurance:		
Property and Casualty	Saskatchewan Government Insurance (SGI)	wholly-owned subsidiary
Life	HARO Financial Corporation (HARO)	non-voting equity interest and loan
Commodity-Based Investments:		
Heavy Oil	NewGrade Energy Inc. (NewGrade)	50.0 per cent equity interest and loans
Forestry	Meadow Lake Pulp Limited Partnership (MLPLP)	50.0 per cent partnership interest and loans
Fertilizer	Saskferco Products Inc. (Saskferco)	49.0 per cent equity interest
Mining	Cameco Corporation (Cameco)	9.7 per cent equity interest
Agricultural/Food Processing	Saskatchewan Valley Potato Corporation (SVPC)	wholly-owned subsidiary
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Results of Operations

Earnings for the year were \$132.2 million (restated 2000 - \$271.9 million). Excluding non-recurring losses of \$75.7 million (2000 - earnings of \$19.1 million), earnings from ongoing operations were \$207.8 million (restated 2000 - \$252.8 million). Non-recurring items in 2001 consisted of losses on the write-off of SaskEnergy's Gas Cost Variance Account (\$61.3 million) and the write-down of potato storage assets (\$14.3 million). Non-recurring items in 2000 consisted of gains on the sale of Austar United Communications Limited (\$13.7 million), Regional Cable TV (Western) Inc. (\$7.7 million), and a gain on the deemed disposition of Soft Tracks Enterprises Ltd. (\$1.7 million), partly offset by a \$3.6 million loss on the sale of Western Canadian Beef Packers Inc.

Revenues were \$3,415.4 million (2000 - \$3,229.7 million), an increase of \$185.7 million. The increase was mostly due to a \$199.0 million increase in operating revenues offset by an \$11.8 million decrease in investment earnings and a \$1.4 million decrease in other revenue.

Operating revenues were \$3,324.3 million (2000 - \$3,125.3 million). The \$199.0 million increase was mainly due to higher utility sales. Utility sales were \$2,520.3 million (2000 - \$2,355.5 million), an increase of \$164.8 million. The increase was primarily due to higher sales revenues by SaskPower, SaskEnergy, and SaskTel. Also contributing to increased operating revenues were increases in insurance sales (\$23.1 million), a full year of sales for Centennial (\$53.7 million), offset by decreased sales at Meadow Lake Pulp Limited Partnership (\$36.8 million).

Investment earnings were \$53.3 million (2000 - \$65.1 million). The \$11.8 million reduction mainly reflects lower earnings from SGI's investment portfolio, due to soft equity markets in 2001.

Expenses were \$3,207.6 million (restated 2000 - \$2,976.9 million), an increase of \$230.7 million. The primary factors were higher fuel and purchased power costs for SaskPower, higher natural gas costs for SaskEnergy, and a full year of expenses for Centennial. Interest costs were \$316.6 million (2000 - \$314.4 million). Amortization costs of \$400.8 million increased by \$10.0 million, reflecting an increase in capital assets.

CIC spent \$1,001.2 million on new investment and capital acquisitions (2000 - \$750.7 million). The \$250.5 million increase reflects a \$143.8 million increase in investment activity, mainly due to SGI turning over its investment portfolio, and a \$106.7 million increase in capital spending.

Debt at December 31, 2001 was \$3,620.9 million (restated 2000 - \$3,144.8 million), an increase of \$476.1 million. The increase in debt was largely attributable to higher debt at SaskPower (\$327.7 million), SaskEnergy (\$124.3 million), SaskTel (\$36.3 million), ISC (\$20.2 million), SOCO (\$14.1 million), MLPLP (\$2.2 million) and Sask Water (\$3.2 million), partly offset by reductions at NewGrade (\$27.1 million) and CIC's non-consolidated debt (i.e., debt held by the holding company) of \$25.3 million.

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	2001	2000
Cash from Operations -----	\$ 73.8	\$ 556.8
Cash used in Investing Activities -----	(540.4)	(446.2)
Dividends Paid -----	-	(125.0)
Debt Proceeds Received -----	642.1	113.1
Debt Repaid -----	(369.4)	(81.4)
Other Financing Activities -----	214.1	23.6
Increase in Cash -----	\$ 20.2	\$ 40.9

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has ample access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long Term Debt as at December 31, 2001

Moody's Investor Service -----	A1
Standard & Poor's -----	A+
Dominion Bond Rating Service -----	A

Operating, Investing and Financing Activities

Cash from operations was \$73.8 million (2000 - \$556.8 million). The \$483.0 million decrease was primarily due to an increase in non-cash working capital and lower earnings from ongoing operations.

Cash used in investing activities was \$540.4 million (2000 - \$446.2 million). The \$94.2 million increase was primarily due to an increase in purchases of capital assets, notably at SaskPower.

Cash provided by financing activities was \$486.8 million (2000 cash used in financing activities - \$69.7 million). The \$556.5 million increase reflects the level of debt placements during 2001 combined with the GRF deferring its 2000 regular dividend to future years.

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances.



Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

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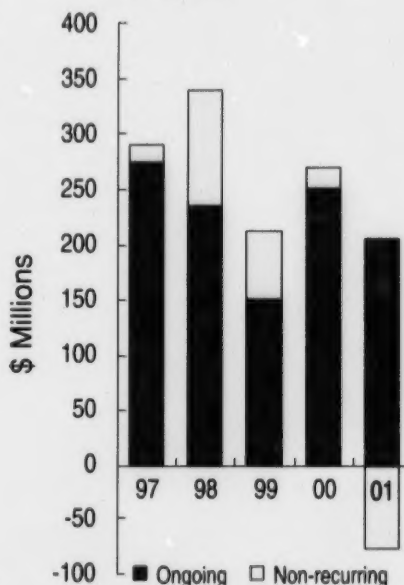
Consolidated Financial Summary

Earnings

Over the past five years, CIC has realized significant gains from the sale of major investments such as Austar United Communications Limited (2000), Regional Cable TV (Western) Inc. (2000), Saturn Communications Limited (1999), Saskfor MacMillan Limited Partnership (1999), Bi-Provincial Upgrader (1998), and Wascana Energy Inc. (1997).

In 2001, non-recurring items consisted of a loss on the write-off of SaskEnergy's Gas Cost Variance Account (\$61.3 million) and the write-down of potato storage assets (\$14.3 million).

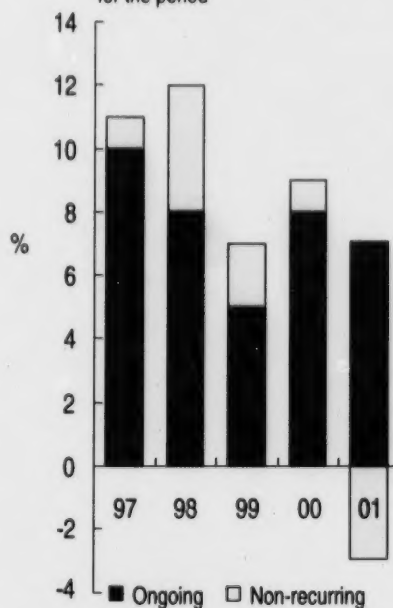
Consolidated Earnings
for the period



Return on Equity

The return on equity (the ratio of earnings to the average amount of shareholder's equity) declined from nine per cent in 2000 to four per cent in 2001, primarily reflecting lower earnings at SaskPower and SGI, and losses at MLPLP, SaskEnergy and SVPC.

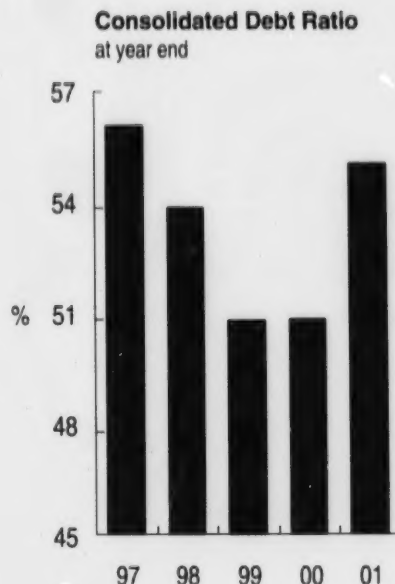
Consolidated Return on Equity
for the period



Consolidated Financial Summary

Debt Ratio

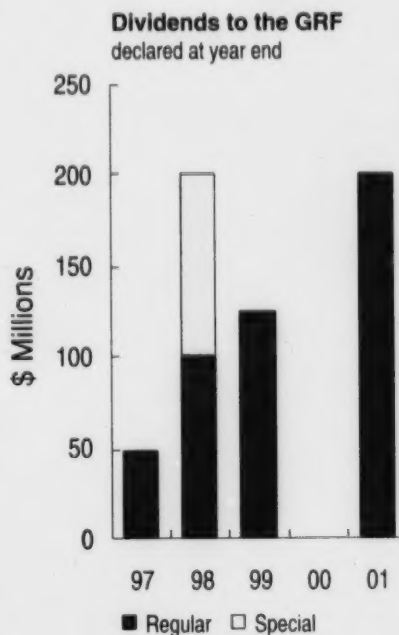
The debt ratio (the ratio of consolidated debt to debt plus equity) rose from 51 per cent (restated) in 2000 to 55 per cent in 2001, primarily reflecting low earnings combined with significant capital spending at SaskPower and SaskTel, and a loss at SaskEnergy.



Dividends

The shareholder deferred the declaration of CIC's \$150 million dividend to the GRF for 2000. CIC declared a dividend of \$200 million to the GRF on 2001 earnings. In 2002, per the 2002-2003 provincial budget, CIC expects to declare a \$300 million dividend to the GRF, including a \$100 million portion of the dividend deferred for 2000. In 2002, CIC also will pay a \$181 million equity repayment related to the sale in February 2002 of its remaining interest in Cameco Corporation.

Since 1997, including special dividends and equity repayments, CIC has provided an aggregate return of \$660 million to the GRF to support the Government's fiscal objectives.



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Management's Discussion & Analysis

Segmented Information

(millions of dollars)

Income Statement for the year ended December 31

	Utilities		Commodity Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Sales and other revenue	2,633	2,459	565	584	216	200	14	14	29	27	(41)	(54)	3,416	3,230
Operating expenses & other	2,190	1,976	508	515	197	173	15	16	27	29	(46)	(46)	2,891	2,663
Debt costs	286	275	42	45	0	0	0	0	7	6	(18)	(12)	317	314
Earnings before the following	157	208	15	24	19	27	(1)	(2)	(5)	(8)	23	4	208	253
Non-recurring items	(52)	24	(14)	(1)	0	0	0	0	0	0	(10)	(4)	(76)	19
Net Earnings	105	232	1	23	19	27	(1)	(2)	(5)	(8)	13	0	132	272

Balance Sheet as at December 31

Current assets	839	652	129	134	137	94	3	3	8	9	349	225	1,465	1,117
Investments & other	412	301	227	224	506	505	0	0	26	32	260	229	1,431	1,291
Capital assets	5,077	4,866	147	174	13	14	15	15	143	129	(131)	(106)	5,264	5,092
	6,328	5,819	503	532	656	613	18	18	177	170	478	348	8,160	7,500
Current liabilities	812	712	83	162	376	390	2	2	40	37	(51)	(338)	1,262	965
Long-term debt	3,028	2,632	411	392	0	0	0	0	128	119	(263)	(212)	3,304	2,931
Other	405	393	0	0	178	125	5	4	0	0	(12)	(4)	576	518
	4,245	3,737	494	554	554	515	7	6	168	156	(326)	(554)	5,142	4,414
Province's equity	2,083	2,082	9	(22)	102	98	11	12	9	14	804	902	3,018	3,086
	6,328	5,819	503	532	656	613	18	18	177	170	478	348	8,160	7,500

Statement of Cash Flows for the year ended December 31

Operating activities	481	567	66	55	25	20	0	0	4	4	(502)	(89)	74	557
Investing activities														
Capital asset purchases	(558)	(402)	(5)	(3)	(2)	0	(3)	(3)	(17)	(27)	44	1	(541)	(434)
Other	(69)	(16)	0	4	(4)	27	0	0	0	(8)	74	(19)	1	(12)
	(627)	(418)	(5)	1	(6)	27	(3)	(3)	(17)	(35)	118	(18)	(540)	(446)
Financing activities														
Debt proceeds	551	61	44	1	0	0	0	0	9	29	38	22	642	113
Debt repayments	(263)	(45)	(60)	(46)	0	0	0	0	0	0	(46)	9	(369)	(82)
Dividends paid to CIC	(135)	(165)	0	0	(10)	(40)	0	0	0	0	145	205	0	0
Dividends paid to GRF	0	0	0	0	0	0	0	0	0	0	0	(125)	0	(125)
Other	175	35	(27)	5	(34)	0	2	2	5	(2)	92	(16)	213	24
	328	(114)	(43)	(40)	(44)	(40)	2	2	14	27	229	95	486	(70)
Change in Cash	182	35	18	16	(25)	7	(1)	(1)	1	(4)	(155)	(12)	20	41

Management's Discussion & Analysis

Segmented Information

(millions of dollars)

Income Statement for the year ended December 31

	Utilities		Commodity Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Sales and other revenue	2,653	2,459	585	584	218	200	14	14	29	27	(41)	(54)	3,418	3,230
Operating expenses & other	2,190	1,976	609	515	187	173	15	16	27	29	(48)	(46)	2,891	2,663
Debt costs	298	275	42	45	0	0	0	0	7	6	(18)	(12)	317	314
Earnings before the following	157	208	15	24	15	27	(1)	(2)	(9)	(8)	23	4	308	253
Non-recurring items	(52)	24	(14)	(1)	0	0	0	0	0	0	(10)	(4)	(78)	19
Net Earnings	105	232	1	23	15	27	(1)	(2)	(9)	(8)	13	0	182	272

Balance Sheet as at December 31

Current assets	809	652	129	134	137	94	3	3	8	9	349	225	1,485	1,117
Investments & other	412	301	227	224	508	505	0	0	28	32	200	229	1,451	1,291
Capital assets	5,077	4,866	147	174	13	14	15	15	143	129	(131)	(106)	5,394	5,092
	6,328	5,819	303	532	658	613	18	18	177	170	478	348	8,189	7,500
Current liabilities	812	712	83	162	376	390	2	2	40	37	(51)	(338)	1,382	965
Long-term debt	3,008	2,632	411	392	0	0	0	0	138	119	(203)	(212)	3,394	2,931
Other	405	393	0	0	178	125	3	4	0	0	(12)	(4)	576	518
	4,245	3,737	494	554	554	515	7	6	188	156	(266)	(554)	5,142	4,414
Province's equity	2,083	2,082	9	(22)	102	98	11	12	9	14	894	902	3,018	3,086
	6,328	5,819	503	532	656	613	18	18	177	170	478	348	8,189	7,500

Statement of Cash Flows for the year ended December 31

Operating activities	481	567	18	55	25	20	0	0	4	4	(102)	(89)	74	557
Investing activities														
Capital asset purchases	(554)	(402)	(3)	(3)	(2)	0	(3)	(3)	(17)	(27)	44	1	(541)	(434)
Other	88	(16)	9	4	14	27	0	0	0	(8)	74	(19)	1	(12)
	(466)	(418)	6	1	12	27	(3)	(3)	(17)	(35)	118	(18)	(540)	(446)
Financing activities														
Debt proceeds	501	61	44	1	0	0	0	0	9	29	38	22	542	113
Debt repayments	(203)	(45)	(82)	(46)	0	0	0	0	0	0	(42)	9	(288)	(82)
Dividends paid to CIC	(136)	(165)	0	0	(14)	(40)	0	0	0	0	148	205	0	0
Dividends paid to GRF	0	0	0	0	0	0	0	0	0	0	0	(125)	0	(125)
Other	175	35	(17)	5	14	0	2	2	1	(2)	32	(16)	213	24
	(264)	(114)	(55)	(40)	(14)	(40)	2	2	14	27	229	95	488	(70)
Change in Cash	182	35	18	16	29	7	(1)	(1)	1	(4)	(125)	(12)	20	41

Management's Discussion & Analysis

Five-Year Operational Review

At corporate fiscal year end

	2001	2000	1999	1998	1997
SaskPower					
Number of permanent full time employees	2,286	2,192	2,120	2,030	1,994
Total customers	432,064	431,360	428,027	426,676	423,678
Avg. annual usage/residential customer (kilowatt hours)	7,945	7,784	7,793	7,662	8,520
Power lines (kilometres of poles)	151,750	151,247	150,656	150,001	149,421

SaskTel					
Number of permanent full time employees					
Saskatchewan Telecommunications	3,354	3,370	3,819	3,771	3,574
Diversified operations*	714	481	435	456	398
Total	4,068	3,851	4,254	4,227	3,972

Operating revenue (\$thousands)	852,822	777,672	753,878	763,978	728,037
Network access services	626,421	637,990	643,722	641,523	626,924
Cellular access services	240,492	218,856	168,002	160,434	135,623
Internet access services	101,071	88,427	66,435	49,435	30,844
Originated minutes (thousands)	1,457,286	1,406,739	1,273,545	932,745	969,533
Cumulative percentage SaskTel has lowered average per minute long distance charges since 1990	-80%	-77%	-72%	-59%	-53%

* Includes SaskTel International, SaskTel Wireless, DirectWest, SecurTek and Other

SaskEnergy					
Number of permanent full time employees	819	812	809	816	806
Total customers	321,504	320,340	317,219	313,425	309,171
Residential annual average usage (cubic metres)	3,173	3,497	3,316	3,255	3,504
Distribution pipelines (km)	65,193	64,814	64,169	63,043	61,831
TransGas pipelines (km)	13,885	13,857	13,733	13,635	13,692
Compressor horsepower (hp)	104,620	104,375	104,375	104,375	104,375
Peak day gas flows (billions of cubic feet)	1.24	1.31	1.23	1.32	1.36

SQI					
Number of permanent full time employees	1,444	1,403	1,402	1,393	1,372
Premiums written (\$thousands)	192,714	165,523	164,183	165,086	156,545
Number of policies in force	444,163	422,770	426,964	425,081	414,045
Number of claims	76,404	69,014	67,720	61,492	65,140

MLPLP					
Number of employees	192	191	195	196	201
Safety (lost time accidents)	6	1	3	1	0
Value of exports (\$millions)	117	191	146	98	100
Volume of trees delivered (cubic metres)	714,407	852,404	986,147	688,677	770,499

Saskferco					
Number of employees	138	132	133	138	136
Safety (lost time accidents)	0	0	0	0	1
Natural gas consumption (millions of gigajoules)	22.8	24.7	24	22	21

NewGrade					
Number of permanent employees	185	183	181	177	175
Average plantgate differentials (\$Cdn/barrel)	13.51	8.35	5.07	6.87	7.46
Crude oil processed (barrels per day)	55,900	58,300	51,300	55,500	50,100
Third party debt (\$millions)	131	168	204	252	292

Utilities

SaskPower

SaskPower is the principal supplier of electricity in Saskatchewan. Founded as the Saskatchewan Power Commission in 1929, SaskPower's mandate is to deliver safe, reliable, cost-effective power to the residents of Saskatchewan. SaskPower was created as a provincial Crown corporation in 1950 and is governed by the **Power Corporation Act**.

SaskPower operates three coal-fired, seven hydroelectric, and four natural gas stations with aggregate generating capacity of 2,880 megawatts, and has 210 megawatts of contracted capacity. SaskPower began purchasing wind-generated electricity in 2001 from the Sunbridge project. SaskPower maintains over 151,000 kilometres of power lines.

SaskPower's 2,286 employees work in three business units, five corporate groups, and three subsidiaries (NorthPoint Energy Solutions Inc., Power Greenhouses Inc., and SaskPower International Inc.).

- Earnings were \$29.1 million (2000 - \$108.1 million).
- Revenues of \$1,126.2 million (2000 - \$1,101.3 million) rose due to load growth and an average two per cent rate adjustment on April 1, 2001, partially offset by lower export revenues.
- Expenses of \$1,097.1 million (2000 - \$993.2 million), including finance charges of \$181.2 million (2000 - \$156.0 million)¹, increased largely due to lower hydroelectric generation which was replaced by higher cost supply sources, and higher finance costs, partially offset by lower operating, maintenance and administration expenses.
- Capital spending of \$363.8 million (2000 - \$210.0 million) was for new generation, customer connections, and extending the life of existing infrastructure.
- Debt rose to \$1.9 billion (2000 - \$1.6 billion).
- SaskPower International acquired a 30 per cent ownership interest in the 170 megawatt Muskeg River Mine Cogeneration project, under construction near Fort McMurray, Alberta.

SaskTel

SaskTel is Saskatchewan's leading full service communications company, providing voice, data, Internet, wireless, text and messaging services over a fully digital network. SaskTel has 4,068 permanent full time employees. Through interconnection agreements, SaskTel is part of the national and global communications network.

SaskTel also invests for growth through diversification. Saskatchewan Telecommunications International Inc. provides international project management, design, and consulting services. DirectWest Publishing Partnership is the leading provider of directory advertising in Saskatchewan and offers a variety of related multimedia products. SaskTel also has investments in companies that provide remote security monitoring, multimedia, cable television, transaction clearinghouse, wireless point of sale, broadband Internet streaming, Internet-based pawnshop transaction tracking, advertising services, and telecommunications in four provinces.

- Earnings were \$101.5 million (2000 - \$93.3 million).
- Revenues of \$852.8 million (2000 - \$777.7 million) rose due to increased activity in diversified operations and increased contribution, cellular and Internet revenues.
- SaskTel retained about 91 per cent of the Saskatchewan long distance market.
- Operating expenses, excluding restructuring and other charges were \$700.0 million (2000 - \$656.4 million). Increased spending on growth initiatives, new contribution payments, and corporate capital tax, were partially offset by lower spending in traditional business lines, due to cost savings of \$26 million in 2001 from the Operating Efficiency Program.
- Debt was \$450.2 million (2000 - \$414.0 million).
- Interest costs¹ were \$42.0 million (2000 - \$41.5 million).
- Capital spending of \$125.9 million (2000 - \$107.6 million) increased due to spending on growth initiatives such as digital cellular network expansion, high speed Internet, Community Net and Digital Interactive Video.

¹ In 2001, SaskPower and SaskTel adopted the new accounting recommendation by the Canadian Institute of Chartered Accountants under which unrealized translation gains and losses on foreign currency denominated monetary items (e.g. debt) are no longer deferred and amortized, but expensed in the current year.

- Earnings, expected to increase, will likely continue to be constrained by the impacts of soft export markets, low water flow levels and volatile natural gas prices.
- An approved rate adjustment, effective January 1, 2002, is expected to increase revenue by 4.5 per cent or \$47 million.
- SaskPower plans to continue to make significant capital investments, including completion of the Queen Elizabeth Power Station repowering project and the Cory Cogeneration Station project. SaskPower will also invest to expand capacity and enhance reliability of the transmission and distribution infrastructure.
- Weather conditions.
- Fuel and purchased power costs (natural gas prices and water flow levels).
- Export markets.
- Translation value of the Canadian dollar vis-à-vis the United States dollar.
- Total assets of \$3.6 billion (2000 - \$3.2 billion).
- Debt ratio (debt as a percentage of debt plus equity) of 60 per cent (2000 - 57 per cent).
- Return on equity (earnings as a percentage of average equity) of 3 per cent (2000 - 10 per cent).
- Dividend declared to CIC of \$16.0 million (2000 - \$69.1 million).

- Competition continues to erode margins from traditional services, and competitive pressures with the wireless and Internet providers continue to increase. This requires SaskTel to find offsetting growth and diversification opportunities in new and existing markets. One such initiative is Digital Interactive Video, which is scheduled for launch in 2002.
- SaskTel will also continue to focus on cost savings through the implementation of operational efficiency initiatives.
- Ability to develop new products and services to support SaskTel's growth and diversification initiatives.
- Ability to realize cost savings from process improvements while maintaining a high quality of customer service.
- Canadian Radio-television and Telecommunications Commission decisions on price caps and other issues.
- Competitive pressures in Internet and wireless markets.
- Uncertainty surrounding the carrying value of its investment in Austar United Communications Limited. Market conditions have adversely affected the share price, resulting in a substantial difference between its carrying value and market value. SaskTel has no near term plans to divest and will monitor the investment closely.
- Total assets \$1.2 billion (2000 - \$1.2 billion).
- Debt ratio of 41 per cent (2000 - 40 per cent).
- Return on equity of 16 per cent (2000 - 15 per cent).
- Dividend declared to CIC of \$91.3 million (2000 - \$87.3 million).

Utilities (continued)

SaskEnergy

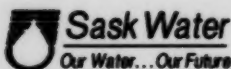
YOUR NATURAL CHOICE®

SaskEnergy has the legislated franchise for the distribution and transmission of natural gas within Saskatchewan. The distribution system provides cost-efficient energy to over 320,000 residential, farm, commercial and industrial customers over a 65,000 kilometre distribution system. The transmission system provides transportation service to the distribution system, producers, marketers and large volume end-use customers within Saskatchewan. At December 31, 2001, SaskEnergy had 819 permanent full time employees.

SaskEnergy has five wholly-owned subsidiaries:

- TransGas Limited - natural gas transportation and storage;
- Many Islands Pipe Lines (Canada) Limited - transports natural gas interprovincially and internationally;
- Bayhurst Gas Limited - holds natural gas royalty interests;
- SaskEnergy International Incorporated (SEII) - provides international consulting services and holds equity investments; and,
- Swan Valley Gas Corporation - formed in 2000, owns and operates a natural gas distribution utility in the Swan Valley area of western Manitoba.

- Loss of \$15.4 million (2000 - earnings of \$44.4 million). In May 2001, SaskEnergy absorbed \$75.9 million of gas costs to benefit customers.
- Net revenues of \$296.6 million (2000 - \$285.7 million) rose primarily due to higher storage gas sales.
- Expenses, excluding the \$75.9 million absorption of gas costs, were \$245.6 million (2000 - \$241.3 million).
- Debt rose to \$841.8 million (2000 - \$717.5 million) primarily due to the under-recovery of gas costs and higher natural gas in storage.
- Capital spending was \$57.9 million (2000 - \$57.9 million), primarily for new customer connections and supporting infrastructure.
- SaskEnergy's natural gas rates were the lowest among the provinces for 2001.
- 2,750 new customers were added to the distribution system, partially offset by a loss of existing customers for net customer additions of 1,164 (2000 - 3,121).
- TransGas transmission pipeline system throughput decreased by seven per cent. Saskatchewan gas production remained relatively flat despite another year of record natural gas drilling.



Sask Water, headquartered in Moose Jaw, manages, administers, develops and protects the water and related land resources in Saskatchewan.

Sask Water has approximately 220 employees and operates three major lines of business:

- water management and protection;
- water supply and wastewater treatment services; and,
- water-based economic development.

- Loss was \$4.2 million (2000 - loss of \$2.0 million).
- Revenues of \$28.0 million (2000 - \$32.3 million) were down primarily due to lower grant revenues in conjunction with lower water management infrastructure expenses. In addition, **Water Power Act** revenues were down due to lower water runoff levels.
- Expenses were \$32.2 million (2000 - \$33.1 million). The decrease was due mainly to reduced water management infrastructure and grant expenses.
- Debt was \$41.1 million (2000 - \$38.0 million).
- Capital spending was \$1.0 million (2000 - \$1.5 million).

- SaskEnergy will continue to manage price volatility on behalf of customers. Through its prudent gas management strategy, SaskEnergy has offered the lowest commodity rates among the provinces in four of the last five years.
- TransGas' rate freeze for 2000 and 2001 was extended to 2002.
- New industrial projects in Regina and Saskatoon are projected to increase demand for transportation services.
- SaskEnergy will continue to pursue growth by extending natural gas services to new developments, exploring new technologies and promoting non-traditional natural gas appliances.
- In late 2001, SEI increased its equity investment in a gas distribution company in Chile by \$5.2 million, and received approval to invest in a gas transmission company in Mexico.
- Weather. A one per cent change in winter temperature affects net income by approximately \$1.5 million (warmer weather decreases, colder weather increases).
- Energy conservation efforts of customers.
- SaskEnergy has a natural gas purchasing and hedging program that assists in managing natural gas price risks.
- Transmission volumes can be affected by the level of natural gas production in Saskatchewan and demand for natural gas within the province.
- Total assets of \$1.4 billion (2000 - \$1.3 billion).
- Debt ratio of 74 percent (2000 - 70 percent).
- Return on equity including the \$75.9 million gas cost absorption was negative five per cent (2000 - 15 per cent).
- Dividend declared to CIC was nil for 2001 (2000 - \$24.4 million).

- Sask Water plans to expand water supply and treatment utility operations to meet the needs of new municipal and industrial customers, such as raw water supply to the Cory Cogeneration project and treated water supply to the town of Hague.
- There are also plans to complete reconstruction of the Avonlea dam works as part of a multi-year program to rehabilitate provincially-owned water management structures.
- It is also expected that repairs will begin to address emerging corrosion problems at the Luck Lake and Riverhurst major irrigation projects.
- **Water Power Act** revenues can fluctuate greatly with weather and spring runoff conditions.
- Approximately one-third of utility water sales revenue depends on demand from the potash and fertilizer industries.
- Sales levels to municipal customers are dependant on weather conditions.
- These factors are mitigated by the use of long-term supply contracts with minimum take or pay volume requirements.
- Total assets of \$70.3 million (2000 - \$71.6 million).
- Sask Water receives subsidies from the General Revenue Fund and is not expected to declare a dividend to CIC.

Management's Discussion & Analysis

Utilities (continued)



Information
Services
Corporation
of Saskatchewan

Information Services Corporation of Saskatchewan (ISC) was established January 1, 2000. It is responsible for the administration of land titles and survey legislation and for the Personal Property Registry (PPR). Its mandate includes the re-evaluation, redesign and automation of Saskatchewan's land titles system and its integration with the provincial survey, mapping and geographic information systems, including the development of a foundation for common services.

In addition to providing the public with an improved land registration system, ISC also seeks new markets for its products and services. Effective January 1, 2000, ISC assumed the assets and operations of the provincial land titles system, previously part of Saskatchewan Justice, as well as the SaskGeomatics Division of Saskatchewan Property Management Corporation (SPMC). Effective January 1, 2001, ISC assumed the operations of the PPR of Saskatchewan Justice.

ISC has 510 staff, including those being provided through SPMC. Over 50 per cent of these staff are in term positions.

- Loss was \$6.3 million (2000 - \$10.9 million) after \$4.0 million operating grant from CIC (2000 - nil).
- Previous to the transfer to ISC, revenue related to the land titles search and registration and PPR was paid to the GRF. ISC continues this practice and remitted payments to the GRF of \$11.7 million in 2001, comprised of \$8.0 million for land titles and \$3.7 million for PPR (2000 - \$8.0 million for land titles).
- Revenues were \$27.4 million (2000 - \$20.9 million) primarily due to the addition of PPR revenues (\$4.8 million).
- Operating expenses were \$26.0 million (2000 - \$23.8 million) reflecting the operations of land titles, geomatics, and assumption of responsibility for the PPR.
- \$5.3 million in costs for an employee retirement program in 2001 were funded by a grant from CIC.
- Debt was \$47.2 million (2000 - \$27.0 million) due to development costs associated with the Land Titles Automated Network Development (LAND) System, and to continue funding operating activities.
- Capital spending was \$24.3 million (2000 - \$30.1 million) primarily related to the LAND System.

Transportation



Saskatchewan Transportation Company (STC) is a common bus carrier providing passenger transportation, parcel express and freight services throughout Saskatchewan. STC owns and operates depots in Regina, Saskatoon and Prince Albert. It serves 275 communities in the province, providing more than 3.3 million passenger miles in service each year.

STC has 237 employees.

- Loss before grant was \$3.4 million (2000 - \$2.9 million).
- CIC provided grants of \$3.8 million (2000 - \$3.7 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were \$13.6 million (2000 - \$13.6 million).
- Operating expenses were \$17.0 million (2000 - \$16.5 million).
- Capital expenditures were \$2.0 million (2000 - \$2.8 million) and included the purchase of 55-, 47- and 28-passenger coaches and two trailers to "right-size" the fleet and to replace older equipment.
- Environmental concerns at STC's maintenance facilities were addressed in 2001 at a cost of slightly over \$70,000.

Management's Discussion & Analysis

- The LAND System is expected to be implemented province-wide in 2002.
- ISC will continue to build and maintain corporate infrastructure necessary to support the LAND System, Geomatics, Land Titles, and PPR operations, and pursue other related business development opportunities.
- ISC is not expected to earn a profit in 2002. Financial performance is expected to improve once the new LAND System is fully implemented.
- Level of search and registrations.
- Customer acceptance of on-line services.
- LAND System costs and implementation pace.
- Success of business development initiatives relating to expanding the markets for ISC's products and services.
- Total assets of \$55.6 million (2000 - \$30.2 million).
- ISC is incurring start-up losses and is not expected to declare a dividend to CIC in 2002.

- STC anticipates an increase of approximately \$0.4 million in its cash shortfall due to inflationary pressures.
- The company expects capital spending of \$2.4 million in 2002, mainly for coach replacement.
- STC's mandate allows the company to review the routes it operates on a business case basis. This will allow STC to tailor service levels to more closely reflect ridership demands and to improve the overall level of service.
- Fuel prices.
- Declining freight market due to depressed economy.
- Declining passenger base with changing demographics.
- Total assets of \$18.5 million (2000 - \$18.2 million).
- STC received an operating grant of \$2.0 million from CIC (2000 - \$1.8 million).
- STC received a capital grant of \$1.8 million from CIC (2000 - \$1.9 million).
- STC has no debt.
- Cash operating loss of \$1.9 million (2000 - \$1.5 million).

Insurance



SGI, under the trade name of SGI CANADA, conducts a competitive general insurance business offering a comprehensive line of home, tenant, farm, automobile extension and commercial coverages. SGI acts as the administrator of the Saskatchewan Auto Fund, the province's compulsory vehicle insurance program (see below). SGI CANADA Insurance Services Ltd. (SCISL), a subsidiary of SGI, sells insurance in other provinces.

SGI employs more than 1,500 full time and part time permanent employees and operates 20 claims centres and five salvage centres in 13 communities across the province.

- Earnings were \$10.2 million (2000 - \$21.7 million).
- Revenues were \$207.5 million (2000 - \$195.4 million). The increase is due to higher premiums from SGI CANADA's new subsidiaries, The Insurance Company of Prince Edward Island and Coachman Insurance Company. This is partially offset by lower gains realized on the sale of investments.
- Claims and expenses totalled \$198.5 million (2000 - \$174.2 million). The growth is primarily due to the associated claims and expenses of the acquired subsidiaries.
- Capital spending totalled \$1.9 million (2000 - \$0.2 million).

Saskatchewan Auto Fund

The Saskatchewan Auto Fund (the Fund) is a compulsory provincial vehicle insurance program administered by SGI. The Fund provides vehicle registrations, driver's licenses and related services for more than 820,000 vehicles and 665,000 drivers in Saskatchewan. The Fund is intended to operate on a break-even basis over time.

The Fund is not a CIC subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Fund. The results of the Fund are not included in CIC's or SGI's consolidated financial statements.

- Earnings were \$18.8 million (2000 - \$45.3 million).
- The Rate Stabilization Reserve was \$2.0 million (2000 - \$16.9 million deficit).
- Revenues were \$510.2 million (2000 - \$520.9 million). The decrease is due to lower gains on the sale of investments, partially offset by higher premium revenue from a newer vehicle population. There was no general rate increase in 2001.
- Total claims and expenses were \$491.4 million (2000 - \$475.6 million). Claims costs increased by \$10.1 million, due to cost inflation in all categories. Other expenses increased \$5.7 million, mainly from an increase in premium taxes and additional resources for traffic safety initiatives.
- Capital spending was \$13.8 million (2000 - \$5.5 million).

HARO Financial Corporation (HARO) (and its subsidiary, Crown Life Insurance Company)

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). CIC owns 68 million non-voting, common shares of HARO at a cost of \$68.0 million, and has a term loan to HARO totalling \$171.1 million. HARO holds a 65.2 per cent ownership interest in Crown Life.

In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company (Canada Life). In 2000, Crown Life repurchased all of the common shares not owned by its two major shareholders, HARO and Extendicare. As a result, Crown Life is no longer a publicly traded company.

- Crown Life's performance determines HARO's capacity to service its term loan from CIC. In 2001, HARO received a dividend of \$42.8 million that was applied to principal and interest on the term loan.
- The winding down of Crown Life's insurance business continued.
- Crown Life formed a wholly-owned subsidiary, Crown Capital Partners Inc., to manage the Saskatchewan Government Growth Fund companies and venture capital assets of Crown Life.
- Crown Life retracted its preferred shares in December for \$91 million.

Management's Discussion & Analysis

- Premiums and profitability are expected to increase in 2002 due to the inclusion of a full year of results from Coachman Insurance Company.
- SGI CANADA will continue its growth strategy. The majority of growth in 2002 is expected in Ontario and the Maritimes.
- Weather conditions.
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigate the effect of adverse weather conditions in Saskatchewan.
- Capital markets have a significant impact on investment earnings and profitability.
- Competition in the markets that SGI CANADA and its subsidiaries operate.
- Total assets of \$410.5 million (2000 - \$335.3 million).
- Return on equity of 11 percent (2000 - 21 percent).
- Dividend declared to CIC of \$9.2 million (2000 - \$41.5 million).
- Net risk ratio¹ of 2.3 (2000 - 1.9).
- ¹ Premiums written in relation to statutory capital and surplus, a performance indicator widely used in the insurance industry.
- The Fund is expected to break even in 2002.
- Pending legislative approval, the Fund will implement the majority of the recommendations of the independent committee which reviewed the Personal Injury Protection Plan, and a program which provides safe drivers with discounts on their basic vehicle insurance premiums.
- No premium rate increase is expected in 2002.
- Winter driving conditions and summer storm activity have a significant effect on the financial results of the Fund.
- Reinsurance protection is purchased to mitigate the effect of catastrophic events.
- Total assets of \$871.9 million (2000 - \$795.4 million).
- Rate Stabilization Reserve of \$2.0 million (2000 - \$16.9 million deficit).

- As a result of the sale to Canada Life, Crown Life still retains approximately \$1.3 billion in assets. The business strategy has been the orderly liquidation of the majority of assets, and use of the proceeds to retire liabilities and return the balance to shareholders. \$60 million will be placed with Crown Capital Partners Inc.
- Crown Life expects to pay a \$60 million dividend on common shares in 2002. HARO's portion (\$39 million) will in turn be applied to principal and interest payments on its term loan.
- As HARO's only asset is Crown Life shares, its financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by:
 - North American real estate markets;
 - risk management practices;
 - investment performance; and,
 - the outcome of outstanding insurance litigation issues.
- Contribution to consolidated financial results:

revenue	- \$8.5 million
(2000)	- \$5.0 million)
earnings	- \$8.5 million
(2000)	- \$5.0 million)
assets	- \$239.1 million
(2000)	- \$273.0 million)

Management's Discussion & Analysis

Commodity-Based Investments

NewGrade Energy Inc. **(NewGrade)**

NewGrade operates a heavy oil upgrading facility in Regina. It is owned equally by CIC and Consumers' Co-operative Refineries Limited (CCRL), a wholly-owned subsidiary of Federated Co-operatives Limited of Saskatoon. NewGrade has an annual processing capacity of approximately 21 million barrels of heavy crude oil.

NewGrade has approximately 185 permanent employees.

- NewGrade was very profitable in 2001 primarily because of substantially improved price differentials throughout the year and increased throughputs. 2001 was the best year to date for earnings.
- The average price differential between NewGrade's heavy crude oil feedstock and its reconstituted crude product was above operating break-even levels for the entire year, and was at an historically high average level.
- The shareholders received cash repayments of previously advanced cash deficiency funding: CIC - \$23.3 million (including \$7.7 million of interest); CCRL - \$15.8 million (including \$6.1 million of interest). During 2000, each of the shareholders provided \$3.3 million in cash deficiency funding.

Centennial Foods Partnership **(Centennial)**

Centennial is a value added manufacturing and distribution business for meat, seafood and other related food products.

Centennial is expanding its processing operations into Saskatchewan through the construction of a world-class ground protein food processing facility in Saskatoon. Once full production is reached, this facility will create up to 190 full time jobs.

- The company has substantially completed construction of its facility in Saskatoon. Production is set to begin in early 2002.

Management's Discussion & Analysis

- Industry analysts forecast price differentials to remain at fairly high average levels during 2002.
- NewGrade expects to process about the same volume of heavy crude in 2002 as in 2001.
- 2002 financial performance is expected to remain strong compared to historical results, although lower than in 2001 due to the combination of continuing relatively high price differentials and increased throughput.
- A further repayment to the shareholders of previously advanced cash deficiency funding is expected at the end of 2002.
- Price differentials. At budgeted operating levels, a \$1 per barrel change in the price differential affects annualized earnings and cash flow by \$17.9 million.
- Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa.
- The effect of U.S./Canada exchange rate changes on price differentials is partially offset by the effect on the cost of servicing U.S. dollar debt.
- Natural gas input costs. A \$0.10/gigajoule change in the price of natural gas affects annualized earnings and cash flow by \$1.0 million.
- Contribution to consolidated financial results (by NewGrade fiscal year):

revenue	- \$434.7 million
(2000)	- \$472.7 million)
earnings	- \$51.0 million
(2000)	- \$23.1 million)
assets	- \$110.5 million
(2000)	- \$143.0 million)

- Centennial expects modestly improved operating income for 2002 (with the expectation of higher costs as noted below).
- When construction of the new plant is completed, the company will be moving some production from Calgary to Saskatoon. Production costs during the transition phase will be higher.
- The company will also expand production of other products in Calgary, which will require a phase-in period.
- Financial performance is expected to further improve once full production is achieved at the Saskatoon plant.
- Modest improvement in market conditions is expected.
- Commodity protein prices for beef, and to a smaller degree, pork and poultry.
- Successful completion of transition to and start-up of Saskatoon facility.
- Costs associated with maintaining quality control standards as prescribed by industry regulators.
- Ability to diversify product lines to decrease seasonality.
- Contribution to consolidated financial results (by Centennial fiscal year):

revenue	- \$62.9 million
(2000)	- \$9.2 million)
net loss	- \$324 thousand
(2000)	- \$61 thousand)
assets	- \$30.3 million
(2000)	- \$26.9 million)

2000 comparative figures are based on two months operations.

Commodity-Based Investments (continued)

Meadow Lake Pulp Limited Partnership (MLPLP)

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp (CTMP) mills.

The mill has produced up to an annualized rate of 300,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. CIC owns 50 per cent of MLPLP, with Millar Western Forest Products Ltd. holding the remaining 50 per cent. The state-of-the-art, environmentally friendly mill is located near Meadow Lake and uses Saskatchewan aspen as its fibre source.

MLPLP has 192 employees and provides an additional 245 jobs in the woodlands.

- MLPLP's financial performance was negatively impacted by poor pulp prices. Pulp prices began to fall steadily from the beginning of the year until October when they stabilized and crept slightly upwards during the fourth quarter. Global demand was weak throughout the year, resulting in higher pulp inventories world-wide.
- CIC had previously provided assurances to MLPLP's term loan lenders that MLPLP's term loan would be reduced to a level acceptable to the bank.
- MLPLP refinanced both its term debt and operating facility during 2001. In order to secure the term financing CIC formalized the previous commitment and provided a guarantee of \$80 million. As a result, MLPLP benefited from lower interest costs and a switch from floating rate to fixed rate term debt to reduce interest rate volatility. The operating facility is not guaranteed by CIC. During 2001, no CIC funding was required.

Saskferco Products Inc. (Saskferco)

Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 73,000 tonnes of anhydrous ammonia for sale and 930,000 tonnes of granular urea, marketed in Canada and the northern United States.

CIC owns 49 per cent of Saskferco, Cargill Limited (Canada) 50 per cent, and Citibank Canada one per cent.

Saskferco has 138 permanent employees and 31 contract positions.

- Earnings were similar to 2000, due to continued low urea and ammonia prices resulting from North American oversupply.
- A new warehouse was constructed and began operation in Carman, Manitoba.

Management's Discussion & Analysis

- Pulp prices are expected to remain weak through the first half of 2002 and partially recover in the second half.
- Prices are expected to strengthen in 2003. However, prices are highly dependent on the world economic climate.
- Market pulp prices.
- Industry demand/supply balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canada exchange rate. Most pulp sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received.
- Input costs such as bleaching chemicals and wood (including stumpage and reforestation costs).
- Contribution to consolidated financial results:

revenue	- \$58.5 million
(2000)	- \$95.3 million)
loss	- \$15.0 million
(2000)	- \$17.7 million earnings)
assets	- \$168.2 million
(2000)	- \$179.0 million)

- Saskferco expects a small profit in 2002.
- Natural gas prices are expected to increase from their current levels but should remain well below their 2001 highs.
- Fertilizer prices should improve during the year, assuming normal world demand.
- Urea and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate. A large portion of Saskferco's sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on sales revenues is partially offset by its effect on the cost of servicing U.S. debt.
- Contribution to consolidated financial results:

earnings	- \$3.2 million
(2000)	- \$3.1 million)
assets	- \$109.3 million
(2000)	- \$106.1 million)

Commodity-Based Investments (continued)

Saskatchewan Valley Potato Corporation

(SVPC)

SVPC operates as a potato services, storage and production company in the Lake Diefenbaker Development Area. SVPC's head office is in Broderick. SVPC is wholly-owned by CIC through CIC III.

SVPC has four permanent employees, and directly or indirectly employs agricultural and line workers in the Outlook area on a casual/seasonal basis.

- Operating loss of \$2.3 million (2000 - \$0.5 million on six months of operations).
- Non-recurring loss of \$14.3 million attributable to write-down of capital assets, primarily storage sheds.
- The company experienced a market downturn and production difficulties resulting in lower prices and revenues than expected for its product in the 2001 operating year. The company also experienced soft contract arrangements as a result of the market downturn.
- Debt was \$8.5 million (2000 - \$6.1 million).

Big Sky Farms Inc.

(Big Sky)

Big Sky operates a number of large scale, three site, farrow-to-finish hog production facilities throughout Saskatchewan utilizing modern design and production methods. The company markets live hogs in Canada and the United States.

Big Sky currently has a breeding herd of approximately 20,000 sows capable of producing 440,000 market hogs annually. During 2001, the company was completing its expansion to allow it to achieve this annual level of market hog production. 2002 will be the first full year of operations at the expanded level.

CIC invested \$15.0 million in convertible preferred shares in Big Sky in 2000, representing a 40.0 per cent interest in the company.

Big Sky has 210 full time employees and 75 part time employees.

- Big Sky's performance for fiscal 2001 was positive. This was attributable to relatively strong hog prices combined with low feed prices.
- Big Sky operated at approximately 50 per cent of expanded full capacity in fiscal 2001 as new units were not completed and commissioned until August 2001 and January 2002.

Management's Discussion & Analysis

- Seed potato prices are expected to be much more buoyant for fiscal 2002 due to the lack of availability for quality seed potatoes. This is expected to lead to a small profit in 2002.
- SVPC has contracts for its 2001 production.
- SVPC expects to reduce its direct involvement in production to 400 acres for 2002. SVPC has concluded that reducing direct production will reduce working capital needs and volatility of cash flows. The target is to have SVPC completely out of production after 2004.
- The company is also looking to divest storage assets and pay down debt with the proceeds. This is expected to reduce bank debt to zero and to reduce the CIC line of credit to \$1.6 million by the end of 2002.

- Contracted seed potato prices.
- Relationships with key customers.
- The ability to successfully divest assets that are unutilized to reduce debt.

- Contribution to consolidated financial results:

revenue	- \$2.7 million
(2000)	- \$0.6 million)
loss	- \$16.6 million
(2000)	- \$0.5 million)
assets	- \$7.9 million
(2000)	- \$22.0 million)

2000 results reflect operations following the transfer of assets from Sask Water effective June 30, 2000.

- Big Sky expects to be profitable in 2002.
- Market hog prices have started 2002 at relatively low levels, and are expected to follow a price trend similar to 2001 where they fell off in the last quarter. Overall, prices are expected to be at levels comparable to 2001.
- Feed prices are expected to rise above 2001 levels due to the supply impact of the 2001 drought.
- The expansion of new facilities is complete and will be in full production during calendar 2002.
- Big Sky is currently considering construction of a new 5,000 sow breeding barn in 2002.

- Market hog prices. Big Sky uses price hedges to reduce its exposure to market fluctuations.
- Feed costs.
- Disease outbreaks can have a significant impact on results. Big Sky follows veterinary protocols to lessen the risk of disease.

- Contribution to consolidated financial results:

earnings	- \$0.9 million
(2000)	- \$0.4 million)
assets	- \$15.3 million
(2000)	- \$15.1 million)

Commodity-Based Investments (continued)

Cameco Corporation (Cameco)

Cameco is one of the world's largest, low-cost uranium mining and processing companies. Its head office is in Saskatoon. Cameco's uranium products are used to generate electricity in nuclear plants around the world. It also has a significant presence in gold exploration and mining.

CIC assumed the former Saskatchewan Mining Development Corporation's (SMDC) ownership in Cameco after SMDC's wind-up in 1993. Various share transactions reduced CIC's ownership to 9.7 per cent at December 31, 2001.

Cameco has approximately 1,500 employees in Canada.

- CIC received \$2.7 million in dividends from Cameco.
- Cameco closed the purchase of a 15 per cent interest in the Bruce Power Partnership, which signed an agreement in 2000 to lease the Bruce nuclear power plants from Ontario Power Generation and operate them.
- The federal government enacted changes to the foreign ownership restrictions on Cameco shares. Individual non-resident ownership limits increased from 5 to 15 per cent and total non-resident voting ownership limits increased from 20 to 25 per cent.
- Cameco committed to purchase 63 million pounds of U_3O_8 over the 2002-2013 period derived from highly enriched uranium contained in Russian nuclear weapons.
- The McArthur River mine achieved its production target of 18 million pounds per year of U_3O_8 .
- The Cigar Lake mine feasibility study was approved, making production possible in 2005 subject to regulatory approval and market conditions.
- Cameco's share price was \$39.25 at the end of 2001 (2000 - \$26.25). Uranium spot prices increased 35 per cent during 2001. Earnings were slightly higher than in 2000 mainly due to the inclusion of Cameco's share of earnings from Bruce Power in 2001.

Economic Growth



Saskatchewan Opportunities Corporation (SOCO) supports economic growth and job creation through investment in viable businesses and by investing in research park infrastructure that supports economic activity. SOCO's investments are focussed on projects that involve the export of Saskatchewan goods or services or projects where locally produced goods and services replace those previously imported. SOCO has targeted those sectors that make a significant contribution to the province's economy and have continued potential for growth.

SOCO operates Innovation Place and the Regina Research Park. These research parks attract businesses that lead development in their respective sectors. The unique, specialized needs of these businesses are fulfilled at the parks.

At December 31, 2001, SOCO had 90 employees.

- Loss was \$2.2 million (2000 - \$0.1 million earnings).
- Revenues of \$25.1 million (2000 - \$23.6 million) included GRF grants of \$7.4 million (2000 - \$8.3 million).
- Operating revenues increased primarily due to higher tenant occupancy at Innovation Place and the Regina Research Park.
- Expenses of \$27.3 million (2000 - \$23.5 million) were up largely due to higher interest costs and research and development park expenses related to new buildings at Innovation Place and the Regina Research Park.
- Charge for investment impairment was \$2.7 million (2000 - \$3.0 million).
- Debt increased to \$161.7 million (2000 - \$147.6 million) to fund capital spending related to construction at Innovation Place and the Regina Research Park.

Management's Discussion & Analysis

- In February 2002, CIC sold its remaining interest in Cameco for net proceeds of \$226.4 million and a gain on sale of \$111.5 million.
- Uranium prices, and to a lesser extent, gold prices.
- U.S./Canada exchange rate. Uranium and gold are sold in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received.
- Contribution to consolidated financial results:

revenue	- \$2.7 million
(2000)	- \$2.7 million)
earnings	- \$2.7 million
(2000)	- \$2.7 million)
assets	- \$114.9 million
(2000)	- \$114.9 million)

- In March 2002 as part of a general government restructuring, the Government announced that the Saskatchewan Opportunities Corporation will be wound down, with responsibility for its research parks and existing investment portfolio moving to the Crown Investments Corporation.
- Credit and investment risks.
- Rental property vacancy rates.
- Interest rates.
- Total assets of \$169.9 million (2000 - \$159.8 million).
- Debt ratio of 99 percent (2000 - 96 percent).
- SOCO receives grants from the GRF and is not expected to declare a dividend to CIC.

Economic Growth (continued)



SASKATCHEWAN GOVERNMENT GROWTH FUND

Saskatchewan Government Growth Fund Management Corporation (SGGF) participates in the federal government's Immigrant Investor Program (IIP). This program acquires lower cost capital for commercial investment in Saskatchewan, providing small and medium-sized businesses with capital to grow and prosper, and thereby facilitating long-term economic growth and development for the province. The IIP under which SGGF operates ended on March 31, 1999. However, with a significant number of subscribers yet to complete their subscription requirements, the funds raised will require management for at least the next six years.

Investment funds are raised through eight subsidiary fund companies (SGGF Ltd., SGGF II through VIII). SGGF contracts the management services for the funds to Crown Capital Partners Inc., a fund manager. The funds are not consolidated with SGGF unless there are residual profits in a fund after all investor capital has been repaid. The results for SGGF Ltd. are consolidated with SGGF.

Through its fund companies, SGGF has raised more than \$281 million of immigrant investor capital since its inception in 1989, making it one of the largest immigrant investor funds in Canada.

- Loss of \$2.7 million (2000 - \$8.5 million) includes a \$3.4 million provision for investment losses (2000 - \$8.2 million).
- Revenues were \$4.0 million (2000 - \$2.7 million).
- Expenses of \$3.3 million (2000 - \$2.5 million) reflect the increased investment advisory fees, including additional fund management services provided through the contracted investment management services.
- The three newest funds launched in 1999 (SGGF VI, VII and VIII) continue to collect the full subscription amounts from subscribers.
- No payments were made to the remaining 31 investors in SGGF II because of insufficient cash resources. Future payments to these investors are dependent on the ability of the fund to liquidate its remaining investments.
- Early in the year, SGGF III identified potential investment liquidity problems that forced it to reduce repayments to investors at maturity to \$150,000. As investments are liquidated, it is expected that additional payments will be made.
- To the end of 2001, SGGF had, through its fund companies, invested more than \$218 million in 66 new or expanding businesses.

- Each of SGGF's fund companies is at a different stage in its investment life cycle.
- SGGF Ltd. continues to liquidate remaining investments.
- SGGF II will continue efforts to optimize the value of remaining investments to repay its investors.
- SGGF III will continue with divestments to generate cash to repay investors.
- SGGF IV will begin to liquidate investments in preparation for investor repayments commencing late in the year.
- SGGF V will work towards full investment of its capital.
- SGGF VI, VII and VIII will continue to seek out investment opportunities and work towards collection of the full subscription amount from remaining subscribers.
- Ability of the fund companies to place investor capital in eligible investments, as defined by the IIP, within nine months of receipt.
- Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
- Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management.
- The speed at which the federal government processes immigrant investor applications for citizenship.
- Total assets of \$4.3 million (2000 - \$7.7 million).
- Assets under management of \$153.3 million (2000 - \$157.8 million).
- Total net loss in the fund companies for the year of \$12.6 million (2000 - \$12.0 million) due mainly to provisions for investment losses.



Introduction

Corporate governance describes the processes, structures and functions used to direct and oversee the management of an organization so that it effectively fulfills its mandate. The Corporate Governance section details the mechanisms and structures used to ensure effective governance for CIC and its subsidiaries, including:

- Initiatives that CIC has implemented in 2001 to maintain and strengthen transparency and public accountability, including new Crown board training sessions, the introduction of peer evaluation of directors' performance, enhanced reporting by subsidiary boards to the CIC Board, and benchmarking Crown sector governance practices against practices in the public and private sector via a Governance Index developed by The Conference Board of Canada.
- A description of the financial and public accountability structure for the Crown sector.
- The Crown Sector Strategic Plan, and how it is used to communicate the shareholder's overall strategy for the Crown sector to ensure that subsidiaries' individual business plans and strategies are in alignment with the Crown Sector Strategic Plan.
- The Balanced Scorecard performance management system, and how it is used to link the broad strategic directions established under the Crown Sector Strategic Plan with the specific activities in corporate business plans. Together, the Balanced Scorecard and Crown Sector Strategic Plan form an integrated short- and long-term strategic and business planning and performance management system.
- A description of the governance practices of the holding company, CIC.

Subsidiary Crown Corporation Governance Initiatives

CIC's governance initiatives are directed at strengthening the governance, performance and accountability of its subsidiary Crown corporation boards to assist them to discharge their responsibilities for overseeing and directing the management of Crown corporations.

Director Development

CIC is committed to providing the training needed by directors of Crown boards to enable them to perform effectively. 2001 marked the fourth year of CIC's Board Member Training Program. One introductory and three regular training sessions were held. The introductory session, delivered to directors newly appointed in 2001, provided an overview of best practices in corporate governance, outlined the roles and responsibilities of key players in the governance system and described the evolution and components of CIC's governance framework. New directors also received an orientation session delivered by management of the Crown corporation on whose board they serve.

The first regular training session addressed the topic of building sustainable strategies, providing directors with knowledge of key leadership, learning and team development principles necessary for effective strategic governance. Other modules focused on enhancing directors' understanding and application of enterprise risk management, and examining the board-management interface and the use of constructive dissent in the boardroom.

Topics in the 2001 Excellence in Governance lecture series included: the recommendations of the Auditor General of Canada, for improvements to the governance of federal Crown corporations; linking diversity and business opportunities; and, shareholder expectations of Crown board members. CIC also distributed several topical publications related to corporate governance as part of the Directors' Reading Program.

In 2002, CIC will continue to offer professional development opportunities to its subsidiary Crown board members.

Accountability and Board Performance

CIC has developed guidelines to assist Crown boards to evaluate and enhance overall board performance, as well as the performance of board chairs, committees and individual directors. The director self-evaluation process introduced last year was replaced by a peer assessment model and implemented by the majority of Crown boards in 2001.

Subsidiary Crown board chairs continued to submit regular reports to the CIC Board, highlighting major Crown board activities and significant corporate initiatives. In 2002, the monthly reports from the board chairs will be supplemented by quarterly reports focusing on significant risks and corresponding risk management activities in the Crown corporations.

In 2002, to assist Crown boards to improve upon their annual reporting and disclosure practices, CIC will develop guidelines to standardize reporting of governance practices in the Crowns' annual reports.

Board Renewal

Integral to the effectiveness of a board of directors is ensuring that the right mix of backgrounds and skill sets exists on the board. In 2001, several directors were appointed to CIC's subsidiary Crown boards, bringing fresh perspectives, diverse backgrounds and new skills to boardroom deliberations.

Communicating Shareholder Expectations

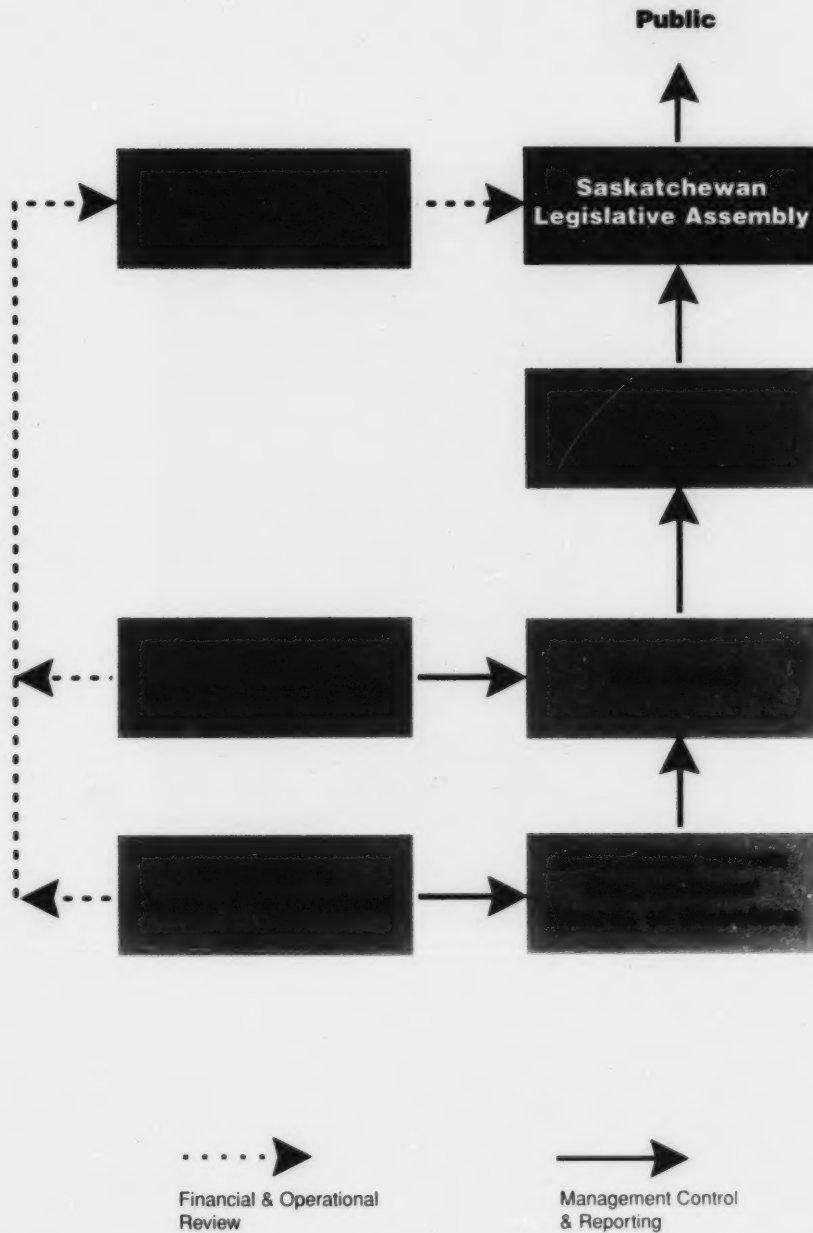
The open exchange of shareholder expectations and views with its subsidiary Crown boards remains a priority for CIC. In 2001, senior CIC officials held five meetings, and the Minister of Crown Investments Corporation met twice, with Crown board and governance committee chairs to discuss issues of mutual interest. To communicate general shareholder perspective and direction, the Minister addressed all subsidiary Crown board directors at the fall lecture series held as part of the annual training sessions.

Governance Index Scorecard

In 1999, CIC engaged The Conference Board of Canada to compare its subsidiary Crown boards' governance practices to external benchmarks in the public and private sectors. The Conference Board research indicates that Canada leads the world in governance practices, and that the governance practices reported by CIC Crown boards in 1999 scored in the top quartile when compared to other boards in Canada.

The Conference Board conducted a follow-up survey of Crown boards in 2001, with participant responses resulting in a Governance Index score of 16.75 out of a possible 20. This result compares favourably with the Crown boards' score of 15 in 1999, and with the score of 10 achieved by all participating boards in Canada in both years. The 2001 Governance Index score reflects a continued emphasis on active board governance by CIC's Crown corporations and confirms that they remain on the leading edge of corporate governance practice in Canada.

Financial and Public Accountability Structure



Clearly Communicating Strategy Through The Crown Sector Strategic Plan

CIC assumes the leadership role in the development of the Crown Sector Strategic Plan. The objective of the Crown Sector Strategic Plan is to clearly articulate shareholder expectations and to provide long-term direction to the Crown sector in order to facilitate long term planning within the individual Crown corporations. This process, which is part of the strategic and performance management model illustrated on page 39, requires all Crown corporations to demonstrate alignment of their corporate strategies to the overall strategic direction of the Crown sector. A revised Crown Sector Strategic Plan was issued in 2001.

Active Performance Management Using The Balanced Scorecard Model

Since 1997, CIC and its subsidiary Crown corporations have been using the Balanced Scorecard business performance management tool. The Balanced Scorecard consists of a system of objectives, performance measures and targets set by the CIC Board for CIC and its subsidiary Crown corporations (please see the example generic balanced scorecard on the facing page). The Balanced Scorecard serves two primary purposes. It is designed to drive and also track high-level business performance across four basic perspectives - financial, customer, public purpose, and innovation and learning. The Balanced Scorecard also acts as a business performance 'report card', summarizing how actual Crown corporation performance compares to established targets. Decision-makers can use such information to measure progress toward business objectives and to adjust business plans if necessary. Performance reporting is also important for maintaining Crown corporation accountability to the people of Saskatchewan.

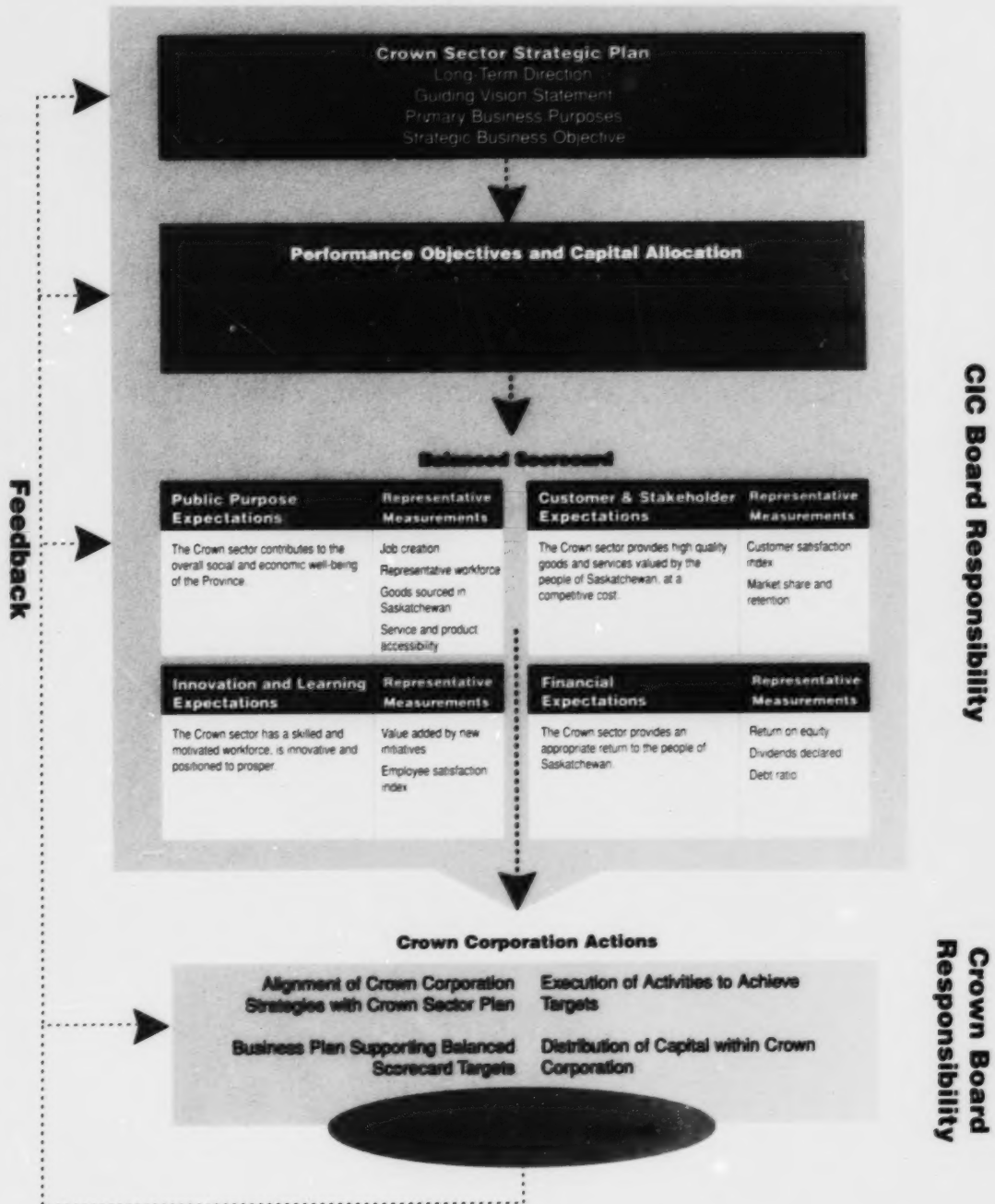
2001 marked the fourth complete cycle of applying the Balanced Scorecard. Progress continues to be made across the Crown sector in strengthening the content of corporate Balanced Scorecards. Crown corporations are recognizing the usefulness of the scorecards and the overall performance management framework for their own corporate planning and overall business activities. Crown corporations use performance management as a bridge to link the broad strategic directions established in the Crown Sector Strategic Plan with the specific activities detailed in corporate business plans. In this way, Balanced Scorecard objectives, measures and targets tie strategic, long-term corporate and sector-wide planning to each corporation's shorter term, operational business planning and actions.

CIC's Performance Reporting and Disclosure Policy (introduced in 2000 with full implementation by 2003), outlines the minimum standards for communicating performance management information in Crown corporation annual reports. Among the requirements for reporting in 2001 annual reports is the need to describe: the links between the corporate business strategies and the Crown Sector Strategic Plan; how the Balanced Scorecard system of performance management is implemented within the Crown corporation; and, the links between a Crown corporation's Balanced Scorecard and Crown business initiatives.

Performance management is a work in progress for both CIC and its subsidiary Crown corporations. Significant progress has been made since the Balanced Scorecard system of performance management was launched in 1997. CIC continues to host regular performance management forums for Crown sector personnel to meet and exchange information, ideas and views. The forums and other communication means for sharing the Crown sector's performance management experiences and directions are proving to be effective ways of advancing Crown sector knowledge and expertise about performance management. Crown corporations are sharing their experiences in applying the Balanced Scorecard and are learning how to strengthen their respective Balanced Scorecards to drive improved corporate performance and to be more accountable to the people of Saskatchewan.

Together with the Crown Sector Strategic Plan, the Balanced Scorecard forms an integrated short- and long-term strategic and business planning and performance management system. The following figure summarizes the general form of this integrated system.

Strategic and Performance Management Model



Public Accountability Through Reporting of Significant Transactions

In 1997, CIC developed guidelines for reporting on significant transactions. These guidelines were approved by the CIC Board, and by the Legislature's Standing Committee on Crown Corporations (Crown Corporations Committee).

The policy requires that all CIC Crowns, CIC and CIC III, report all significant transactions to the Crown Corporations Committee within 90 days of the transaction, generally the date upon which funds are advanced or received. Where a Crown owns subsidiaries, significant transactions will be reported whether undertaken by the Crown or its subsidiary. Reports, which may be verbal before the Crown Corporations Committee, must describe the objectives of the transaction, its financial implications and the authority for the transaction.

A significant transaction is broadly defined as one that is material (i.e., value greater than one per cent of the Crown's assets) and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Additionally, Crowns must report transactions that do not fall under the above conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Such transactions would include, for example, external investments and the creation of new subsidiaries.

The need for disclosure from a public information perspective, must be balanced against the Crowns' legitimate need for confidentiality where bona fide grounds exist regarding commercially sensitive and competitive information. In such circumstances, there is an exemption from reporting the details in question in a Crown's written report to the Crown Corporations Committee.

The following transactions were reported to the Crown Corporations Committee in 2001:

- SGGF - Engagement of Crown Capital Partners Inc.
- CIC III - Investment in Foragen Management Technologies Inc.
- SGI - Investment by SGI CANADA Insurance Services Ltd. (SCISL) in The Insurance Company of Prince Edward Island (ICPEI)
- Sask Water and CIC III - Transfer of Sask Water Potato Assets and Operations to Saskatchewan Valley Potato Corporation and Assumption of Related Debt by Crown Investments Corporation
- SaskTel - SecurTek Monitoring Solutions Inc. (SecurTek) investment in acquired monitored security customer accounts
- SaskTel - Investment in Retx.com Inc. (Retx)
- SGI - Investment by SGI CANADA Insurance Services Ltd. (SCISL) in the Coachman Insurance Company (Coachman)
- SaskTel - Investment in RSL COM Canada Inc. (RSL)

Public Accountability For Utility Rates

Saskatchewan Utility Rate Review Process

In July 2000, the Government of Saskatchewan established the Saskatchewan Rate Review Panel (SRRP) by ministerial order of the Minister of Crown Investments Corporation. SRRP is a ministerial advisory committee. Its mandate is to conduct reviews and provide its opinions on the fairness and reasonableness of proposed Crown corporation rate changes referred to it by the Minister of Crown Investments Corporation. Pursuant to its mandate, SRRP's rate review process considers the interests of the customer, the applicant Crown corporation, and the public.

SRRP has six members:

- | | |
|--|---------------|
| • Bob Lacoursiere, CA, CMC, RFP, Chair | Saskatoon |
| • Jack Boan, economist, Vice-Chair | Regina |
| • Tracey Bakkeli, MBA, CMC | Regina |
| • Jo-Ann Carignan-Vallee | Assiniboia |
| • Sheldon Craig | La Ronge |
| • Joan Meyer | Swift Current |

During 2001, SRRP reviewed and made recommendations on the following four utility rate change proposals referred to it by the Minister of Crown Investments Corporation:

- | | |
|--------------|-------------------|
| • SaskPower | March 23, 2001 |
| • SaskEnergy | June 1, 2001 |
| • SaskPower | December 7, 2001 |
| • SaskEnergy | December 14, 2001 |

Details on SRRP and the above recommendations can be obtained from its web page at www.skrrp.com.

Other Initiatives

Human Resources Governance

In October 2000, responsibility for collective bargaining and human resource governance was transferred from the Cabinet Committee on Public Sector Compensation to the CIC Board. Subsidiary Crowns with collective bargaining agreements negotiated and concluded three-year term agreements with their respective unions. The CIC Board reviewed and approved each Crown's Strategic Human Resource Plan. Bargaining in the Sector was complete by the fall of 2001 with the next round of bargaining scheduled for the winter of 2003.

Crown Executive Conference

In September 2001, CIC sponsored the Crown Executive Conference in Saskatoon. The theme, "Saskatchewan Crowns - 2010" looked beyond current business plans. Each Crown Chief Executive Officer (CEO) presented a strategic view of challenges and opportunities for their organization. The President and CEO of CIC provided a Vision for the Crown Sector. The Premier of Saskatchewan spoke about the important role of Crowns for Saskatchewan citizens and for the Province's economic development.

The theme "Crowns....Building on Our Strengths" will be the focus of the 2002 conference.

Crown Sector Strategic Human Resources Review

Organizations across Saskatchewan and North America are facing some significant human resource challenges in the future, including:

- an aging workforce with a bulge of forecasted retirements;
- an educated and highly mobile workforce;
- differences in work values and attitudes between workplace generations; and,
- the changing make-up of the labour force to include more diversity.

To facilitate forward planning of human resource capital in the Crown sector, CIC is undertaking a major review, with the Crown corporations, of some 10,000 permanently employed staff in the Crowns. The first phase of the review covering out-of-scope employees was completed in November 2001. The second phase, covering in-scope employees, is scheduled for completion in the spring of 2002.

CIC Board Responsibilities

The CIC Board is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. The CIC Board consists of six members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council. The CIC Board is a key Cabinet committee performing a liaison function between Cabinet and Crown corporations, making decisions in its own right, and forwarding recommendations to Cabinet for consideration. The CIC Board met 25 times during 2001.

The CIC Board:

- approves the Crown Sector Strategic Plan;
- approves CIC's strategic direction, and operating plans and budgets proposed by CIC management;
- approves objectives and targets for subsidiary Crown corporations;
- monitors and evaluates the performance of subsidiary Crown corporations;
- allocates capital within the Crown sector;
- approves acquisition, sale and changes to the terms and conditions of major investments;
- monitors the performance of CIC's investments;
- approves CIC's annual financial statements; and,
- meets with external auditors and the Provincial Auditor without management present.

Crown Investments Corporation of Saskatchewan Board of Directors (at December 31, 2001)



Honourable Maynard Sonntag
Minister of Crown Investments
Corporation
Chair



Honourable John Nilson, Q.C.
Minister of Health
Vice-Chair



Honourable Ron Osika
Minister of Municipal Affairs and
Housing



Honourable Eldon Lautermilch
Minister of Economic and Co-operative
Development
Government House Leader



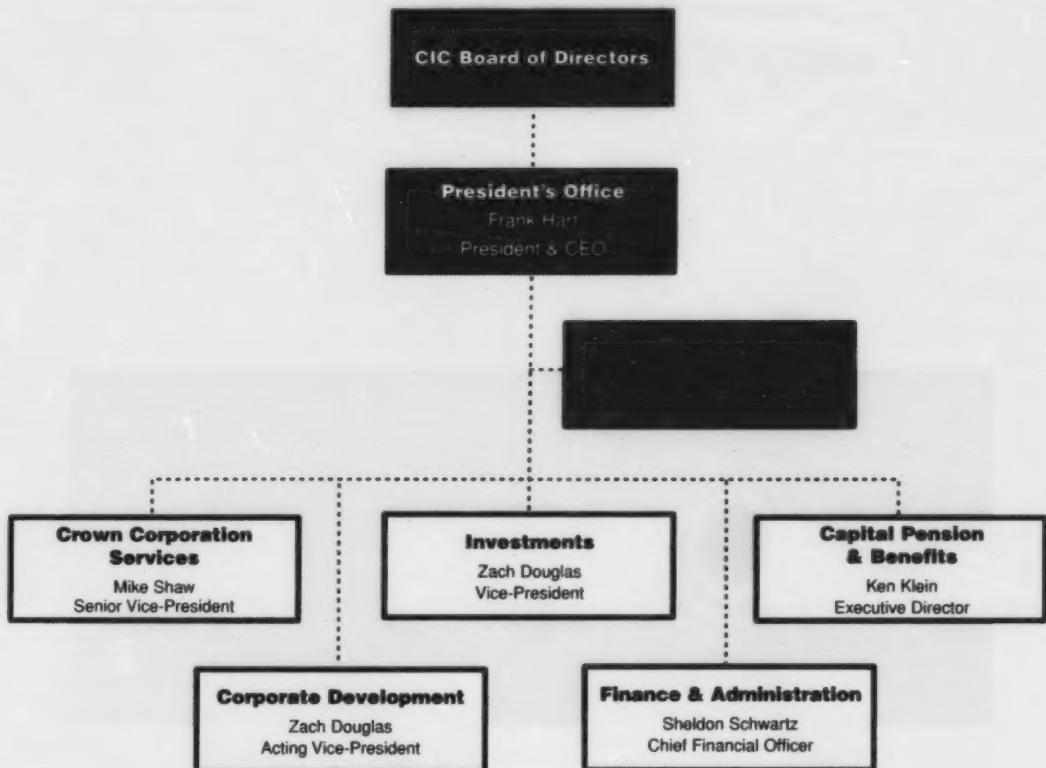
Honourable Clay Serby
Deputy Premier
Minister of Agriculture and Food
Minister Responsible for Rural
Revitalization



Honourable Eric Cline
Minister of Finance

CIC Management Responsibilities

- serves as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made, and helps to develop policy on Crown corporation and investment matters;
- serves as the CIC Board's communications link with investment partners and Crown boards and management;
- co-ordinates the implementation of policy within the Crown sector;
- manages CIC's operations;
- is responsible for the preparation, reliability and integrity of the financial statements; and,
- monitors CIC's business environment.



At December 31, 2001, CIC had staff of 75 in its six divisions.

The *President's Office* is responsible for the overall direction of CIC. Included in the President's Office are the General Counsel and Corporate Secretary functions. The President's Office has seven employees.

Crown Corporation Services develops and implements policy for the Crown corporation sector. In addition to providing corporate secretary services for Crown boards of directors, this division provides Crown sector policy direction, develops and implements the Crown performance management system, provides corporate management services and practices, and provides business analysis on matters requiring CIC Board and/or Cabinet approval. The division is responsible for coordinating the development of a strategic plan for the Crown sector and CIC, and for the development of CIC's performance management plan. It takes a broad, long-term view of emerging issues affecting CIC and the Crown sector from an economic, fiscal and public policy perspective. Human Resources and Communications are separate units within CIC, which report to the Senior Vice President of Crown Corporation Services. Including these units, the Crown Corporation Services Division has twenty-two employees.

Finance and Administration provides sector-wide financial reporting and forecasting, and financial analysis to the Board on CIC and Crown corporation financial performance targets and capital budgets. The division is responsible for managing CIC's budget, financial transactions, cash and debt positions and dividend policy. It also provides corporate administrative support services and information technology services. This division has fifteen employees.

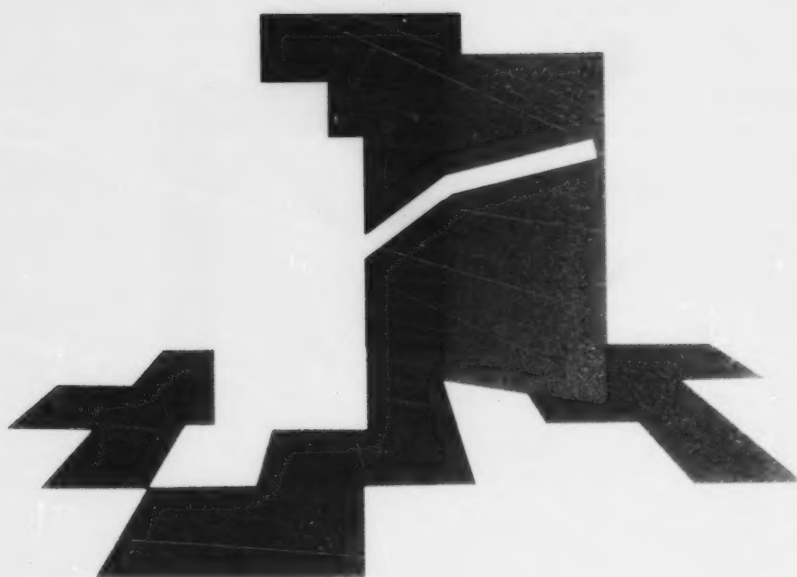
Corporate Development is responsible for facilitating and enhancing Saskatchewan's economic growth by strategically investing in specific industry sectors of the economy. As such, the division identifies, evaluates, pursues and develops commercially viable investment opportunities requiring equity and/or debt financing. Through its Public-Private Partnership unit, the division is also responsible for pursuing and developing public-private partnerships across government and the Crown sector. This division has eleven employees.

Investments is responsible for the ongoing management of all CIC investments with private sector partners. It is responsible for the prudent management of a diversified portfolio of commercially viable investments, which encompasses monitoring existing investments and their expansion or divestiture as appropriate. This division has thirteen employees.

Capital Pension and Benefits Administration administers the multi-employer Capital Pension Plan and a benefits package. This division has seven employees.



CIC Consolidated Financial Statements



Crown Investments Corporation of Saskatchewan Consolidated Financial Statements

Financial Statement Reporting Structure

CIC's 2001 Annual Report contains three sets of financial statements.

CIC Consolidated Financial Statements

These show CIC's results consolidated with those of its subsidiaries.

CIC Non-Consolidated Financial Statements

These show the results of activities of CIC as the holding company.

CIC Industrial Interests Inc. (CIC III) Non-Consolidated Financial Statements

These show the results of activities that CIC manages through its subsidiary, CIC III.

CIC Consolidated Financial Statements

CIC Non-Consolidated Financial Statements

Include:

Revenue/Expenses:

- ~ Dividends from subsidiaries and Cameco Corporation
- ~ Net interest and operating costs
- ~ Grants paid to subsidiary Crown corporations

Assets/Liabilities:

- ~ Equity advances to subsidiary Crown corporations
- ~ Investments in CIC III, Cameco Corporation and NewGrade Energy Inc.
- ~ Debt

CIC Industrial Interests Inc. Non-Consolidated Financial Statements

Subsidiary Crown Corporations' Financial Statements

Include:

- ~ Saskatchewan Power Corporation
- ~ Saskatchewan Telecommunications and Saskatchewan Telecommunications Holding Corporation
- ~ SaskEnergy Incorporated
- ~ Saskatchewan Government Insurance
- ~ Saskatchewan Opportunities Corporation
- ~ Saskatchewan Water Corporation
- ~ Information Services Corporation of Saskatchewan
- ~ Saskatchewan Transportation Company
- ~ Saskatchewan Government Growth Fund Management Corporation
- ~ Saskatchewan Development Fund Corporation

Crown Investments Corporation of Saskatchewan Consolidated Financial Statements

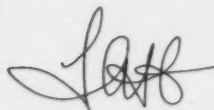
Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for meeting with management, the Corporation's external auditors KPMG, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO



Sheldon Schwartz, CFA
Chief Financial Officer

March 11, 2002

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2001 and the consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 11, 2002

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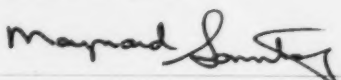
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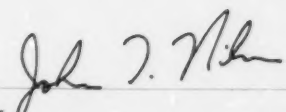
Crown Investments Corporation of Saskatchewan Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	2001	2000 Restated Note 10
ASSETS		
Current		
Cash -----	\$ 627	\$ 8,056
Short-term investments -----	657,289	280,389
Accounts receivable -----	326,473	608,425
Inventories -----	153,423	155,061
Prepaid expenses -----	127,388	65,074
	1,465,200	1,117,005
Long-term investments (Note 3) -----	1,102,408	1,060,324
Capital assets (Note 4) -----	5,263,945	5,091,674
Other assets (Note 5) -----	328,693	230,542
	\$ 8,160,246	\$ 7,499,545
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness -----	\$ 27,223	\$ 54,900
Accounts payable and accrued liabilities -----	576,993	577,232
Notes payable (Note 6) -----	274,887	112,758
Dividend payable to General Revenue Fund -----	200,000	-
Deferred revenue -----	141,405	118,351
Long-term debt due within one year (Note 7) -----	42,013	101,069
	1,262,521	964,310
Long-term debt (Note 7) -----	3,303,993	2,930,992
Deferred revenue and other liabilities (Note 8) -----	576,016	518,680
	5,142,530	4,413,982
Province of Saskatchewan's Equity		
Equity advances (Note 9) -----	1,362,452	1,362,452
Reinvested earnings (Note 10) -----	1,655,264	1,723,111
	3,017,716	3,085,563
	\$ 8,160,246	\$ 7,499,545
Commitments and contingencies (Note 11) (See accompanying notes)		

On behalf of the Board:


Director


Director

Crown Investments Corporation of Saskatchewan Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31
(thousands of dollars)

	2001	2000 Restated Note 10
REVENUE		
Sales of products and services -----	\$ 3,324,329	\$ 3,125,322
Investment (Note 3(f)) -----	53,277	65,115
Other -----	97,819	39,236
	<u>3,415,425</u>	<u>3,229,673</u>
EXPENSES		
Operating costs other than those listed below -----	2,386,676	2,190,925
Interest (Note 12) -----	316,632	314,376
Amortization of capital assets -----	400,790	390,747
Saskatchewan taxes and resource payments (Note 13) -----	103,520	80,834
	<u>3,207,608</u>	<u>2,976,882</u>
Earnings before the following -----	207,817	252,791
Non-recurring items (Note 14) -----	(75,664)	19,143
NET EARNINGS -----	132,153	271,934
REINVESTED EARNINGS, BEGINNING OF YEAR -----	1,723,111	1,451,177
	<u>1,855,264</u>	<u>1,723,111</u>
DIVIDEND TO GENERAL REVENUE FUND -----	(200,000)	-
REINVESTED EARNINGS, END OF YEAR -----	<u>\$ 1,655,264</u>	<u>\$ 1,723,111</u>

(See accompanying notes)

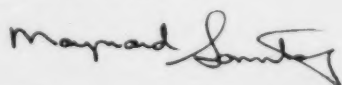
Crown Investments Corporation of Saskatchewan Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

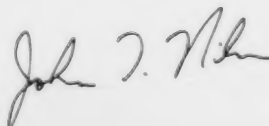
	2001	2000 Restated Note 10
ASSETS		
Current		
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Accounts receivable	526,473	608,425
Inventories	153,423	155,061
Prepaid expenses	127,388	65,074
	<u>1,465,200</u>	<u>1,117,005</u>
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	<u>3,017,716</u>	<u>3,085,563</u>
	<u>\$ 8,160,246</u>	<u>\$ 7,499,545</u>

Commitments and contingencies (Note 11)
(See accompanying notes)

On behalf of the Board:



Director



Director

Crown Investments Corporation of Saskatchewan Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31
(thousands of dollars)

	2001	2000 Restated Note 10
REVENUE		
Sales of products and services -----	\$ 3,324,329	\$ 3,125,322
Investment (Note 3(f)) -----	53,277	65,115
Other -----	37,819	39,236
	<u>3,415,425</u>	<u>3,229,673</u>
EXPENSES		
Operating costs other than those listed below -----	2,386,676	2,190,925
Interest (Note 12) -----	316,622	314,376
Amortization of capital assets -----	400,790	390,747
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Earnings before the following -----	207,817	252,791
Non-recurring items (Note 14) -----	(75,664)	19,143
NET EARNINGS -----	132,153	271,934
REINVESTED EARNINGS, BEGINNING OF YEAR -----	1,723,111	1,451,177
	1,855,264	1,723,111
DIVIDEND TO GENERAL REVENUE FUND -----	(200,000)	-
REINVESTED EARNINGS, END OF YEAR -----	<u>\$ 1,655,264</u>	<u>\$ 1,723,111</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)

	2001	2000 Restated Note 10
OPERATING ACTIVITIES		
Net earnings -----	\$ 132,153	\$ 271,934
Items not affecting cash from operations (Note 15)-----	313,139	317,419
	445,292	589,353
Net change in non-cash working capital balances related to operations -----	(371,471)	(32,588)
Cash provided by operating activities -----	73,821	556,765
INVESTING ACTIVITIES		
Purchase of investments -----	(460,054)	(316,281)
Proceeds from sales and collections of investments -----	510,894	283,192
Purchase of capital assets -----	(541,110)	(434,371)
Proceeds from sale of capital assets -----	421	9,428
(Increase) decrease in other assets -----	(50,503)	11,874
Cash used in investing activities -----	(540,352)	(446,158)
FINANCING ACTIVITIES		
Increase in notes payable -----	162,129	7,888
Increase in deferred revenue and other liabilities -----	51,924	15,707
Long-term debt proceeds from General Revenue Fund -----	470,000	68,971
Long-term debt proceeds from other lenders -----	172,072	44,145
Long-term debt repayments to General Revenue Fund -----	(327,742)	(28,545)
Long-term debt repayments to other lenders -----	(41,604)	(52,863)
Dividends paid to General Revenue Fund -----	-	(125,000)
Cash provided by (used in) financing activities -----	486,779	(69,697)
NET INCREASE IN CASH DURING YEAR -----	20,248	40,910
CASH POSITION, BEGINNING OF YEAR -----	(46,844)	(87,754)
CASH POSITION, END OF YEAR -----	\$ (26,596)	\$ (46,844)
Cash position consists of:		
Cash -----	\$ 627	\$ 8,056
Bank indebtedness -----	(27,223)	(54,900)
	\$ (26,596)	\$ (46,844)

(See accompanying notes)

Crown Investments Corporation of Saskatchewan Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

		2000 Restated Note 10
OPERATING ACTIVITIES		
Net earnings -----	\$ 180,795	\$ 271,934
Items not affecting cash from operations (Note 15) -----	386,159	317,419
		589,353
Net change in non-cash working capital balances related to operations -----	(973,475)	(32,588)
		556,765
INVESTING ACTIVITIES		
Purchase of investments -----	(316,281)	(316,281)
Proceeds from sales and collections of investments -----	283,192	283,192
Purchase of capital assets -----	(434,371)	(434,371)
Proceeds from sale of capital assets -----	9,428	9,428
(Increase) decrease in other assets -----	11,874	11,874
		(446,158)
FINANCING ACTIVITIES		
Increase in notes payable -----	7,888	7,888
Increase in deferred revenue and other liabilities -----	15,707	15,707
Long-term debt proceeds from General Revenue Fund -----	68,971	68,971
Long-term debt proceeds from other lenders -----	44,145	44,145
Long-term debt repayments to General Revenue Fund -----	(28,545)	(28,545)
Long-term debt repayments to other lenders -----	(52,863)	(52,863)
Dividends paid to General Revenue Fund -----	(125,000)	(125,000)
		(69,697)
Cash provided by (used in) financing activities -----		
		40,910
NET INCREASE IN CASH DURING YEAR -----		
CASH POSITION, BEGINNING OF YEAR -----		(87,754)
		(46,844)
CASH POSITION, END OF YEAR -----		
Cash position consists of:		
Cash -----	\$ 8,056	\$ 8,056
Bank indebtedness -----	(54,900)	(54,900)
		(46,844)
		(46,844)

(See accompanying notes)

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends upon future events. These consolidated financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the consolidated accounts of CIC Industrial Interests Inc. (CIC III), a wholly-owned share capital subsidiary of CIC, as well as the proportionate share of jointly controlled enterprises are consolidated in these financial statements.

Separate audited financial statements for CIC and for CIC III have been prepared on a non-consolidated basis to show the financial position and results of operations of these corporate entities. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and submitted annually to the Legislative Assembly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC:

Information Services Corporation of Saskatchewan	Saskatchewan Power Corporation
SaskEnergy Incorporated	Saskatchewan Telecommunications
Saskatchewan Development Fund Corporation	Saskatchewan Telecommunications
Saskatchewan Government Growth Fund	Holding Corporation
Management Corporation	Saskatchewan Transportation Company
Saskatchewan Government Insurance	Saskatchewan Water Corporation
Saskatchewan Opportunities Corporation	

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
December 31, 2001

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

Centennial Foods Partnership -----	35%
NewGrade Energy Inc. -----	50%
Meadow Lake Pulp Limited Partnership -----	50%

c) Inventories

Inventories for resale are generally valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

d) Investments

Short-term investments are valued at cost which approximates their market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

e) Capital assets

Capital assets are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization. Telecommunication operations include all gains or losses in accumulated amortization.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

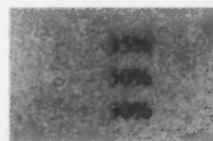
December 31, 2001

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

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Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

1. Summary of Significant Accounting Policies (continued)

f) Amortization of capital assets

Amortization is recorded on machinery and equipment, buildings and improvements, as well as equipment under capital leases, primarily on the straight-line basis over the estimated productive life of each asset.

g) Other assets

Natural gas in storage is recorded at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Deferred financing charges applicable to the issue of long-term debt are amortized on a straight-line basis over the respective term of each obligation.

h) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These premiums are taken into income over the life of the policy.

i) Contributions in aid of construction

Contributions in aid of construction relate to new service connections. These contributions are amortized over the estimated service life of the related asset.

j) Future asset removal and site restoration costs

Estimated future asset removal and site restoration costs, net of expected recoveries, are charged to income on a straight-line basis over the estimated remaining service life of the assets involved. This provision reflects the estimated cost of decommissioning generation, transmission, distribution and other facilities, as well as the related cost of environmental mitigation, and is included in deferred revenues and other liabilities.

k) Provision for unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

l) Revenue recognition

Revenue from utility services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

1. Summary of Significant Accounting Policies (continued)

m) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year. This policy was adopted retroactively during 2001 (Note 10).

n) Financial instruments

Financial instruments are used by the Corporation to hedge its exposure to market risks relating to commodity price for natural gas, foreign currency exchange rates and interest rates. Gains and losses on forward contracts and cross currency swaps used to manage foreign exchange rates are recognized on the same basis as the gains and losses on the hedged item. Gains or losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums or discounts with respect to financial investment contracts are deferred and amortized to earnings over the contract period.

o) Defined benefit pension plans

In 2000, the Corporation began applying the Recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3461 by changing to a market rate to measure its accrued benefit obligation and fair value to measure its pension plan assets. In prior years, the Corporation used a long-term rate of return to measure its accrued benefit obligation and a market-related value to measure its pension plan assets. As a result of this change, the estimated transitional asset is being amortized over the average remaining service life of the employees.

The cost of benefits is determined using the projected benefit method prorated on service and management's best estimate of actuarial assumptions. The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over the average remaining service life of active employees.

p) Leases

As lessee, where the Corporation has substantially all of the benefits and risks incident to the ownership of capital assets, the lease is classified as a capital lease. Capital assets recorded as capital leases are amortized on a basis similar to other assets in the same amortization category. All other leases are classified as operating leases and lease payments are expensed as incurred.

As lessor, where the Corporation transfers substantially all of the benefits and risks incident to the ownership of a capital asset to the lessee, the lease is classified as a sales-type lease or direct financing lease. All other leases and lease payments are recorded as income.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order-in-Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
December 31, 2001

3. Long-Term Investments

(thousands of dollars)

	Voting Percentages	2001	2000
Equity Investments			
Saskferco Products Inc. (a)			
68,449,080 (2000 - 68,449,080)			
Class B common shares -----	49.0%	\$ 109,303	\$ 106,079
Other share investments - equity basis -----		65,381	55,865
		<u>174,684</u>	<u>161,944</u>
Portfolio Investments			
Cameco Corporation (b)			
5,423,123 (2000 - 5,423,123)			
common shares -----	9.7%	114,898	114,898
Austar United Communications Limited (c)			
9,550,574 (2000 - 9,550,574)			
common shares -----	1.9%	43,846	43,846
HARO Financial Corporation (d)			
68,000,000 (2000 - 68,000,000)			
Class B non-voting common shares -----		68,000	68,000
Other share investments - cost basis -----		134,415	90,180
		<u>361,159</u>	<u>316,924</u>
Bonds, Debentures, Loans and other Advances			
HARO Financial Corporation (d)-----		171,141	205,042
Meadow Lake Pulp Loans (e) -----		44,181	44,252
Other bonds and debentures -----		174,703	164,102
Other loans and notes receivable -----		52,997	67,843
		<u>443,022</u>	<u>481,239</u>
Property Holdings -----		<u>119,499</u>	<u>95,173</u>
Leases Receivable -----		<u>4,044</u>	<u>5,044</u>
		<u>\$ 1,102,408</u>	<u>\$ 1,060,324</u>

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
December 31, 2001

3. Long-Term Investments

(thousands of dollars)

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Equity Investments			
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Property Holdings -----		119,499	95,173
Leases Receivable -----		4,044	5,044
		\$ 1,102,408	\$ 1,060,324

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

3. Long-Term Investments (continued)

- a) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49 per cent voting interest.
- b) At December 31, 2001, the Corporation owns 5,423,123 voting common shares of Cameco Corporation (Cameco) representing a 9.7 per cent (2000 - 9.8 per cent) interest. Included in the investment in Cameco is one Class B share which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.
- c) At December 31, 2001 the Corporation owns 9,550,574 shares (2000 - 9,550,574) of Austar United Communications Limited (Austar). At year-end the quoted market value per share of Austar was \$0.224 (\$0.275 AUD) (2000 - \$1.80 (\$2.16 AUD)).

The Corporation is concerned about the significant uncertainty surrounding the carrying value of Austar. Over the past two years, these shares have traded in the range of \$0.15 to \$9.90 AUD per share. Austar is thinly traded with over 80 per cent held by one investor. In addition, Austar recently concluded a significant debt refinancing, the majority shareholder has committed to further financial support, and Austar is in discussions with potential merger or alliance partners. The Corporation does not have plans, in the near term, to divest of this investment and will continue to monitor it closely.

- d) The Corporation has advanced in total \$273.0 million (2000 - \$273.0 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert \$68.0 million of these advances into 68,000,000 non-voting, fully participating equity shares of HARO.

The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a second five-year term in 1998. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the second five-year term, the interest rate on the loan is 6.64 per cent (2000 - 6.64 per cent) compounded annually.

Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2001, consist primarily of HARO's 65.2 per cent interest in Crown Life shares. On January 1, 1999, The Canada Life Assurance Company acquired all of Crown Life's Canadian insurance business, substantially all of its non-Canadian reinsurance business as well as various international insurance operations. The remaining assets and operations will continue to be managed by Crown Life out of Regina, Saskatchewan.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

3. Long-Term Investments (continued)

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

- e) The Corporation owns a 50 per cent joint venture interest in Meadow Lake Pulp Limited Partnership (MLPLP) located near Meadow Lake, Saskatchewan.

The Corporation has provided the following loans:

- Participating Debenture (\$19.5 million) bears interest at 11.15 per cent (2000 - 11.15 per cent) calculated on October 31 each year.
- Term Loan (\$10.0 million) bears interest at prime plus 2 per cent, which is 6.0 per cent at December 31, 2001 (2000 - 9.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Contingency Loan (\$5.5 million) bears interest at prime plus 1 per cent, which is 5.0 per cent at December 31, 2001 (2000 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance (\$4.0 million) bears interest at prime plus 1 per cent, which is 5.0 per cent at December 31, 2001 (2000 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan (\$5.3 million) bears interest at prime plus 1 per cent, which is 5.0 per cent at December 31, 2001 (2000 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

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Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

3. Long-Term Investments (continued)

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after the joint venture has fully repaid an external loan.

If, by October 31, 2014, less than \$159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between \$159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 1.98 per cent at December 31, 2001 (2000 - 5.63 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

On June 14, 2001 MLPLP refinanced its long-term debt with Sun Life Financial and Ontario Municipal Employees Retirement System (OMERS). As part of the refinancing agreement, the Corporation guaranteed MLPLP's long-term debt payments to Sun Life and OMERS to a maximum of \$80 million. Subsequent to year end, the Corporation has paid \$2.0 million on this guarantee.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operating of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2001. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

Due to uncertainty of cash flows from the joint venture, the Corporation's Participating Debenture is shown net of provision for loan losses of \$60.0 million (2000 - \$60.0 million).

- f) Included in investment revenue are earnings (losses) from equity investments as follows (thousands of dollars):

	2001	2000
Saskferco-----	\$ 3,225	\$ 3,065
Other-----	(11,368)	(4,763)
	\$ (8,143)	(1,698)

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

4. Capital Assets

(thousands of dollars)

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Machinery & equipment ----	\$ 7,865,574	\$ 3,733,935	\$ 4,131,639	\$ 4,100,815
Buildings & improvements -	1,089,221	460,710	628,511	630,512
Plant under construction ----	385,288	-	385,288	239,506
Land, coal properties & rights	175,574	61,805	113,769	114,644
Deferred development costs -	10,364	5,626	4,738	6,197
	\$ 9,526,021	\$ 4,262,076	\$ 5,263,945	\$ 5,091,674

Since inception of the project to December 31, 2001, the Corporation has expended \$278.8 million (2000 - \$278.7 million) for construction of the Souris Basin project. This amount was expensed as a public policy expenditure since the expected revenue from this project is not sufficient to cover its cost.

5. Other Assets

(thousands of dollars)

	2001	2000
Natural gas in storage -----	\$ 142,355	\$ 77,520
Deferred financing charges -----	9,118	9,439
Deferred pension costs -----	99,125	57,755
Cross currency swaps -----	22,944	12,596
Deferred software costs -----	39,623	18,652
Other deferred charges -----	81,528	54,580
	\$ 328,693	\$ 230,542

6. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an average interest rate of 1.99 per cent (2000 - 5.72 per cent).

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

3. Long-Term Investments (continued)

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after the joint venture has fully repaid an external loan.

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Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

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Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements

December 31, 2001

7. Long-Term Debt
(thousands of dollars)

	2001		2000	
	Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate
Years to Maturity	U.S.	Canadian		
A. General Revenue Fund				
Canadian Dollar Issues				
1 - 5 years	\$ 744,654	10.47	\$ 918,603	11.54
6 - 10 years	582,784	9.01	580,319	9.20
11 - 15 years	7,888	8.10	7,320	8.08
16 - 20 years	58,971	6.36	60,794	6.71
21 - 25 years	430,000	9.26	565,000	8.73
26 - 30 years	420,000	5.97	25,000	5.50
	<u>2,244,297</u>		<u>2,157,036</u>	
United States Dollar Issues				
1 - 5 years	\$ 50,000	79,630	75,010	6.63
6 - 10 years	194,000	308,965	291,039	7.13
11 - 15 years	75,000	119,445	112,515	7.38
16 - 20 years	200,000	318,520	299,970	9.38
21 - 25 years	200,000	318,520	300,040	8.50
	<u>\$ 719,000</u>	<u>1,145,080</u>	<u>1,078,574</u>	
		3,389,377		3,235,610
Less:				
Sinking fund balance		<u>(299,848)</u>		<u>(395,986)</u>
Total due to GRF		<u>3,089,529</u>		<u>2,839,624</u>
B. Other long-term debt				
Canadian Dollar Issues (due 2002 to 2013)		182,016	71,022	Various
United States Dollar Issues (due 2002 to 2007)	<u>\$ 46,944</u>	<u>74,461</u>	<u>121,415</u>	<u>9.85</u>
Total other long-term debt		<u>256,477</u>		<u>192,437</u>
		3,346,006		3,032,061
Less:				
due within one year		<u>(42,013)</u>		<u>(101,069)</u>
TOTAL LONG-TERM DEBT		<u>\$3,303,993</u>		<u>\$2,930,992</u>

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

7. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Certain issues received from the GRF totaling \$695.5 million (2000 - \$695.5 million) are subject to redemption on six months notice by the lender.

Principal repayments (including sinking funds) due in each of the next five years are as follows (thousands of dollars):

2002 -----	\$ 44,709
2003 -----	206,344
2004 -----	157,278
2005 -----	222,234
2006 -----	225,590

Long-term debt payable in United States dollars has been translated into Canadian dollars at a year-end exchange rate of 1.590 (2000 - 1.505).

8. Deferred Revenue and Other Liabilities

(thousands of dollars)

	2001	2000
Site restoration -----	\$ 239,682	\$ 228,388
Provision for unpaid insurance claims -----	172,924	125,470
Contributions in aid of construction -----	97,190	94,716
Other liabilities -----	61,223	64,619
Deferred income -----	4,997	5,487
	<u>\$ 576,016</u>	<u>\$ 518,680</u>

The establishment of site restoration costs and provision for unpaid claims is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result the recorded amount of these liabilities could change by a material amount in the near term.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements

December 31, 2001

7. Long-Term Debt
(thousands of dollars)

		2001		2000	
		Principal Outstanding		Principal Outstanding	
		Average Interest Rate		Average Interest Rate	
Years to Maturity		U.S.	Canadian		
A. General Revenue Fund					
Canadian Dollar Issues					
1 - 5 years		\$ 744,554	10.47	\$ 918,603	11.54
6 - 10 years		582,784	9.01	580,319	9.20
11 - 15 years		7,888	8.10	7,320	8.08
16 - 20 years		12,971	6.36	60,794	6.71
21 - 25 years		496,000	9.26	565,000	8.73
26 - 30 years		420,000	5.97	25,000	5.50
		<u>2,244,297</u>		<u>2,157,036</u>	
United States Dollar Issues					
1 - 5 years		\$ 50,000	79,630	75,010	6.63
6 - 10 years		194,000	308,963	291,039	7.13
11 - 15 years		75,000	119,443	112,515	7.38
16 - 20 years		200,000	318,520	299,970	9.38
21 - 25 years		<u>200,000</u>	<u>318,520</u>	<u>300,040</u>	8.50
		<u>\$ 719,000</u>	<u>1,145,080</u>	<u>1,078,574</u>	
		<u>3,389,377</u>		<u>3,235,610</u>	
Less:					
Sinking fund balance		<u>(299,848)</u>		<u>(395,986)</u>	
Total due to GRF		<u><u>3,089,529</u></u>		<u><u>2,839,624</u></u>	
B. Other long-term debt					
Canadian Dollar Issues					
(due 2002 to 2013)		182,016	Various	71,022	Various
United States Dollar Issues					
(due 2002 to 2007)		<u>\$ 46,944</u>	<u>74,461</u>	<u>121,415</u>	9.85
Total other long-term debt		<u>256,477</u>		<u>192,437</u>	
		<u>3,346,006</u>		<u>3,032,061</u>	
Less:					
due within one year		<u>(42,013)</u>		<u>(101,069)</u>	
TOTAL LONG-TERM DEBT		<u><u>\$3,303,993</u></u>		<u><u>\$2,930,992</u></u>	

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
December 31, 2001

7. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Certain issues received from the GRF totaling \$695.5 million (2000 - \$695.5 million) are subject to redemption on six months notice by the lender.

Principal repayments (including sinking funds) due in each of the next five years are as follows (thousands of dollars):

2002 -----	\$ 44,709
2003 -----	206,344
2004 -----	157,278
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8. Deferred Revenue and Other Liabilities

(thousands of dollars)

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Site restoration -----	\$ 239,682	\$ 228,388
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Deferred income -----	4,997	5,487
	<u>\$ 576,016</u>	<u>\$ 518,680</u>

The establishment of site restoration costs and provision for unpaid claims is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result the recorded amount of these liabilities could change by a material amount in the near term.

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Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

9. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

10. Change in Accounting Policy

During 2001, the Corporation adopted the new accounting recommendation for foreign currency translation. Under the new method, the Corporation is no longer able to defer and amortize unrealized translation gains and losses on foreign currency denominated monetary items. This change has been adopted retroactively.

The effect of adopting this policy on the financial statements as at December 31, 2000 is outlined below (thousands of dollars):

Interest and related costs increased -----	\$ 21,282
Net income decreased -----	21,282
Other assets decreased -----	146,868
Opening retained earnings decreased -----	125,586
Items not affecting cash from operations increased -----	21,282

The balance of retained earnings at January 1, 2000 has been restated as follows (thousands of dollars):

Retained earnings, beginning of year (as previously reported) -----	\$ 1,576,763
Change in accounting policy for foreign currency translation -----	<u>(125,586)</u>
Retained earnings, beginning of year (as restated) -----	<u>\$ 1,451,177</u>

The balance of retained earnings at December 31, 2000 has been restated as follows (thousands of dollars):

Retained earnings, end of year (as previously reported) -----	\$ 1,869,979
Change in accounting policy for foreign currency translation -----	<u>(146,868)</u>
Retained earnings, end of year (as restated) -----	<u>\$ 1,723,111</u>

Adoption of this change resulted in a \$37.3 million reduction in income for 2001 (2000 - \$21.3 million).

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

9. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

10. Change in Accounting Policy

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The effect of adopting this policy on the financial statements as at December 31, 2000 is outlined below (thousands of dollars):

Interest and related costs increased -----	\$ 21,282
Net income decreased -----	21,282
Other assets decreased -----	146,868
Opening retained earnings decreased -----	125,586
Items not affecting cash from operations increased -----	21,282

The balance of retained earnings at January 1, 2000 has been restated as follows (thousands of dollars):

Retained earnings, beginning of year (as previously reported) -----	\$ 1,576,763
Change in accounting policy for foreign currency translation -----	(125,586)
Retained earnings, beginning of year (as restated) -----	<u>\$ 1,451,177</u>

The balance of retained earnings at December 31, 2000 has been restated as follows (thousands of dollars):

Retained earnings, end of year (as previously reported) -----	\$ 1,869,979
Change in accounting policy for foreign currency translation -----	(146,868)
Retained earnings, end of year (as restated) -----	<u>\$ 1,723,111</u>

Adoption of this change resulted in a \$37.3 million reduction in income for 2001 (2000 - \$21.3 million).

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
December 31, 2001

11. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2001:

- a) The Corporation has forward purchase commitments of \$1,730.0 million (2000 - \$1,810.0 million) for coal contracted for future minimum deliveries valued at current prices.
- b) The Corporation has capital expenditure commitments amounting to \$114.4 million (2000 - \$149.1 million).
- c) The Corporation has committed to provide \$52.9 million (2000 - \$6.4 million) in loans and equity for investment in Saskatchewan business.
- d) The Corporation has entered into power purchase agreements expected to cost \$3.0 billion over the next 25 years and provide approximately 440 megawatts of electrical power annually.
- e) The Corporation has a contingent liability as endorser of certain promissory notes due in 2003 and 2004, arising from the sale of a dragline. In addition, there is a contingent liability for lease payments on certain leased mining equipment which was assumed by the purchase of a mining corporation. These leases expire in 2009 and 2015. The total amount of these contingencies is \$47.0 million (2000 - \$47.0 million).
- f) As at December 31, 2001, the Corporation had agreed to spend \$39.0 million (2000 - \$98.0 million) for construction materials, equipment and contracts and services not completed at that time in respect of the Cory Cogeneration Station. The facilities scheduled operation date is November 2002.
- g) The Corporation has committed to an equity investment to a maximum of \$21.1 million to the Muskeg River Mine Cogeneration Project. The investment to December 31, 2001 is \$14.1 million. The scheduled operation date of this facility is late 2002.
- h) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of \$275.0 million. The fair value of the Corporation's guarantee is \$64.9 million (2000 - \$71.7 million).
- i) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the GRF. At December 31, 2001, the GRF's guarantee does not exceed \$360.0 million. The Corporation does not expect any exposure under this guarantee.
- j) On June 14, 2001 Meadow Lake Pulp Limited Partnership (MLPLP) refinanced its long-term debt with Sun Life Financial and Ontario Municipal Employees Retirement System (OMERS). As part of the refinancing agreement, the Corporation guaranteed MLPLP's long-term debt payments to Sun Life Financial and OMERS to a maximum of \$80.0 million. Subsequent to year end, the Corporation has paid \$2.0 million on this guarantee.
- k) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

12. Interest Expense

(thousands of dollars)

	2000
Interest on long-term debt	\$ 322,166
Foreign exchange losses	32,512
Amortization of deferred financing costs	4,276
	358,954
Less:	
Sinking fund earnings	(40,367)
Interest capitalized	(6,370)
Gain on redemption of sinking funds	(2,825)
	(49,562)
Long-term debt interest expense	309,392
Short-term debt interest expense	4,984
	\$ 314,376

Long-term interest paid during the year, on a cash basis, was \$296.6 million (2000 - \$328.8 million).

13. Saskatchewan Taxes and Resource Payments

(thousands of dollars)

	2000
Oil, gas and coal royalties	\$ 4,700
Grants in lieu of taxes to municipalities	35,594
Saskatchewan capital tax	23,656
Insurance premium tax	7,060
Other	9,824
	\$ 80,834

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

14. Non-Recurring Items

Non-recurring items include the following
(thousands of dollars):

Gain (loss) on sale:

	2001	2000
Gas cost variance account (a)-----	\$ 61,200	-
Provision for potato asset impairment (b)-----	(14,300)	-
Austar United Communications Limited (c)-----		13,683
Regional Cable TV (Western) Inc. (d)-----		7,736
Soft Tracks Enterprises Ltd. (e)-----		1,655
Western Canadian Beef Packers Inc. (f)-----		(3,611)
Public policy expenditure-----		(320)
	\$ 75,000	\$ 19,143

- a) The Corporation sells natural gas based on the principle that it neither profits or incurs a loss on sale. In accordance with this principle the Corporation established a Gas Cost Variance Account (GCVA) to accumulate differences between commodity sales revenue and natural gas commodity costs. Effective May 31, 2001, the Government of Saskatchewan directed the Corporation to absorb the accumulated balance in the GCVA. The Corporation, at this time, discontinued the use of the GCVA and charged the balance of the account through net earnings.
- b) Due to recurring operating losses and reduced economic prospects for the potato industry, the Corporation assessed the recoverability of the storage sheds and certain equipment. The Corporation has written down the net book value of these assets based on the projected future net cash flows from the use of these assets and the estimated sales prices that could be realized on any sale. Accordingly, the Corporation has recorded a provision for asset impairment of \$14.3 million of which \$13.5 million relates to storage sheds and \$0.8 million relates to certain equipment.
- c) During 2000, the Corporation disposed of 4,109,000 shares in Austar for net proceeds of \$32.5 million resulting in a gain on sale of \$13.7 million.
- d) On September 1, 2000, the Corporation divested its 29.9 per cent equity position in Regional Cable TV (Western) Inc., a privately held company. The transaction resulted in a \$7.7 million gain on disposition of the Regional Cable TV (Western) Inc. shares. As consideration, the Corporation received 1,223,491 common shares in Regional Cablesystems Inc., the parent of Regional Cable TV (Western) Inc. The fair value of the Regional Cablesystems Inc. share consideration received was \$14.7 million, determined by establishing an average of quoted market prices for the shares over a 15-day period before and after the date of acquisition.
- e) In conjunction with the issuance of additional shares of Soft Tracks Enterprises Ltd. (Soft Tracks) on November 22, 2000, the Corporation's ownership in Soft Tracks was diluted by 3 per cent. This transaction resulted in a deemed disposition of 3 per cent of the Corporation's interest in Soft Tracks and a non-cash gain of \$1.7 million.
- f) On March 31, 2000, the Corporation sold its wholly-owned subsidiary Western Canadian Beef Packers Inc. to XL Foods Inc. for net proceeds of \$1.2 million creating a loss on sale of \$3.6 million.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

12. Interest Expense

(thousands of dollars)

	2001	2000
Interest on long-term debt -----	\$ 286,314	\$ 322,166
Foreign exchange losses -----	57,235	32,512
Amortization of deferred financing costs -----	4,339	4,276
	<u>347,888</u>	<u>358,954</u>
Less:		
Sinking fund earnings -----	(25,909)	(40,367)
Interest capitalized -----	(14,981)	(6,370)
Gain on redemption of sinking funds -----	(2,831)	(2,825)
	<u>(43,721)</u>	<u>(49,562)</u>
Long-term debt interest expense -----	304,167	309,392
Short-term debt interest expense -----	12,455	4,984
	<u>\$ 316,622</u>	<u>\$ 314,376</u>

Long-term interest paid during the year, on a cash basis, was \$296.6 million (2000 - \$328.8 million).

13. Saskatchewan Taxes and Resource Payments

(thousands of dollars)

	2001	2000
Oil, gas and coal royalties -----	\$ 4,700	\$ 4,700
Grants in lieu of taxes to municipalities -----	42,475	35,594
Saskatchewan capital tax -----	33,804	23,656
Insurance premium tax -----	8,932	7,060
Other -----	13,609	9,824
	<u>\$ 103,520</u>	<u>\$ 80,834</u>

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

14. Non-Recurring Items

Non-recurring items include the following
(thousands of dollars):

	2001	2000
Gain (loss) on sale:		
Gas cost variance account (a)-----	\$ (61,340)	\$ -
Provision for potato asset impairment (b)-----	(14,300)	-
Austar United Communications Limited (c)-----	-	13,683
Regional Cable TV (Western) Inc. (d)-----	-	7,736
Soft Tracks Enterprises Ltd. (e)-----	-	1,655
Western Canadian Beef Packers Inc. (f)-----	-	(3,611)
Public policy expenditure-----	(24)	(320)
	\$ (75,664)	\$ 19,143

- a) The Corporation sells natural gas based on the principle that it neither profits or incurs a loss on sale. In accordance with this principle the Corporation established a Gas Cost Variance Account (GCVA) to accumulate differences between commodity sales revenue and natural gas commodity costs. Effective May 31, 2001, the Government of Saskatchewan directed the Corporation to absorb the accumulated balance in the GCVA. The Corporation, at this time, discontinued the use of the GCVA and charged the balance of the account through net earnings.
- b) Due to recurring operating losses and reduced economic prospects for the potato industry, the Corporation assessed the recoverability of the storage sheds and certain equipment. The Corporation has written down the net book value of these assets based on the projected future net cash flows from the use of these assets and the estimated sales prices that could be realized on any sale. Accordingly, the Corporation has recorded a provision for asset impairment of \$14.3 million of which \$13.5 million relates to storage sheds and \$0.8 million relates to certain equipment.
- c) During 2000, the Corporation disposed of 4,109,000 shares in Austar for net proceeds of \$32.5 million resulting in a gain on sale of \$13.7 million.
- d) On September 1, 2000, the Corporation divested its 29.9 per cent equity position in Regional Cable TV (Western) Inc., a privately held company. The transaction resulted in a \$7.7 million gain on disposition of the Regional Cable TV (Western) Inc. shares. As consideration, the Corporation received 1,223,491 common shares in Regional Cablesystems Inc., the parent of Regional Cable TV (Western) Inc. The fair value of the Regional Cablesystems Inc. share consideration received was \$14.7 million, determined by establishing an average of quoted market prices for the shares over a 15-day period before and after the date of acquisition.
- e) In conjunction with the issuance of additional shares of Soft Tracks Enterprises Ltd. (Soft Tracks) on November 22, 2000, the Corporation's ownership in Soft Tracks was diluted by 3 per cent. This transaction resulted in a deemed disposition of 3 per cent of the Corporation's interest in Soft Tracks and a non-cash gain of \$1.7 million.
- f) On March 31, 2000, the Corporation sold its wholly-owned subsidiary Western Canadian Beef Packers Inc. to XL Foods Inc. for net proceeds of \$1.2 million creating a loss on sale of \$3.6 million.

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

15. Items Not Affecting Cash from Operations

(thousands of dollars)

	2001	2000
Amortization of capital assets -----	\$ 400,790	\$ 390,747
Sinking fund earnings -----	(25,909)	(40,367)
Non-recurring items -----	75,664	(19,413)
Other non-cash items -----	(137,406)	(13,548)
	\$ 313,139	\$ 317,419

16. Financial Instruments

The Corporation manages its exposure to risks of fluctuations in foreign currency exchange rates, interest rates and commodity prices by operating in a manner that mitigates its exposure through the use of derivative financial instruments and commodity contracts. Board of Directors' approval is required before entering into significant derivative financial instruments and commodity contracts.

a) Commodity price risk management

The Corporation may hedge the purchase price and sale price of natural gas. The purchase or sale price of gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, financial instruments may be used as a hedge to fix the settlement amount. The types of financial instruments the Corporation uses to effect these hedges include natural gas price swaps, options, and swaptions traded on the over-the-counter market. In addition, the Corporation may use futures contracts and options on futures contracts traded on the New York Mercantile Exchange.

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Natural gas price hedges owed to (by) the Corporation:				
- swaps -----	\$ 0.4	\$ (35.7)	\$ -	\$ 89.4
- options -----	36.5	(44.7)	-	40.6
- futures -----	-	(15.0)	-	-

The fair values of the above instruments were based on the following:

- i) Natural gas price swaps - The relevant index price in effect on December 31, 2001.
- ii) Natural gas price options - The relevant index price in effect on December 31, 2001.
- iii) Natural gas futures contracts - The relevant index price in effect on December 31, 2001.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

16. Financial Instruments (continued)

b) Foreign currency and interest risk management

The Corporation also uses financial instruments to hedge the interest rate on anticipated borrowing requirements and the foreign exchange rate on foreign currency denominated transactions. For the purpose of hedging interest rates, the Corporation may use forward rate agreements, options and interest rate swaps. For the purpose of hedging the exchange rate on transactions denominated in foreign currency, the Corporation may use currency forwards, cross currency swaps, and currency options.

The following summarizes instruments held at each year end (millions of dollars):

	Carrying Value	2001 Fair Value	Repricing/ Maturity Date	Carrying Value	2000 Fair Value
Owed to (by) the Corporation:					
Coupon swaps -----	\$ -	\$ 3.4	2002-2003	\$ -	\$ 2.2
Cross currency swaps -	23.0	27.8	2003-2008	-	15.1
Interest rate hedges --	-	(0.2)		-	(8.2)
Foreign exchange contracts -----	(0.2)	2.0	2002	-	(0.1)
	<u>\$ 22.8</u>	<u>\$ 33.0</u>		<u>\$ -</u>	<u>\$ 9.0</u>

i) Coupon swaps, cross currency swaps, interest rate hedges, and foreign exchange contracts are valued at December 31, 2001 market rates.

c) Fair value of financial assets and liabilities

The fair value of the Corporation's financial assets and liabilities is as follows (millions of dollars):

	Carrying Amount	2001 Fair Value	Carrying Amount	2000 Fair Value
Long-term investments (d) -----	\$ 500.2	\$ 558.3	\$ 434.4	\$ 448.3
Sinking fund equity -----	299.8	303.7	396.0	399.5
Long-term debt -----	3,346.0	3,800.6	3,032.1	3,513.3

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

15. Items Not Affecting Cash from Operations

(thousands of dollars)

	2001	2000
Amortization of capital assets -----	\$ 400,790	\$ 390,747
Sinking fund earnings -----	(25,909)	(40,367)
Non-recurring items -----	75,664	(19,413)
Other non-cash items -----	(137,406)	(13,548)
	\$ 313,139	\$ 317,419

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The Corporation manages its exposure to risks of fluctuations in foreign currency exchange rates, interest rates and commodity prices by operating in a manner that mitigates its exposure through the use of derivative financial instruments and commodity contracts. Board of Directors' approval is required before entering into significant derivative financial instruments and commodity contracts.

a) Commodity price risk management

The Corporation may hedge the purchase price and sale price of natural gas. The purchase or sale price of gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, financial instruments may be used as a hedge to fix the settlement amount. The types of financial instruments the Corporation uses to effect these hedges include natural gas price swaps, options, and swaptions traded on the over-the-counter market. In addition, the Corporation may use futures contracts and options on futures contracts traded on the New York Mercantile Exchange.

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Natural gas price hedges owed to (by) the Corporation:				
- swaps -----	\$ 0.4	\$ (35.7)	\$ -	\$ 89.4
- options -----	56.5	(44.7)	-	40.6
- futures -----	-	(13.0)	-	-

The fair values of the above instruments were based on the following:

- i) Natural gas price swaps - The relevant index price in effect on December 31, 2001.
- ii) Natural gas price options - The relevant index price in effect on December 31, 2001.
- iii) Natural gas futures contracts - The relevant index price in effect on December 31, 2001.

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

16. Financial Instruments (continued)

b) Foreign currency and interest risk management

The Corporation also uses financial instruments to hedge the interest rate on anticipated borrowing requirements and the foreign exchange rate on foreign currency denominated transactions. For the purpose of hedging interest rates, the Corporation may use forward rate agreements, options and interest rate swaps. For the purpose of hedging the exchange rate on transactions denominated in foreign currency, the Corporation may use currency forwards, cross currency swaps, and currency options.

The following summarizes instruments held at each year end (millions of dollars):

	2001			2000	
	Carrying Value	Fair Value	Repricing/ Maturity Date	Carrying Value	Fair Value
Owed to (by) the Corporation:					
Coupon swaps -----	\$ -	\$ 3.4	2002-2003	\$ -	\$ 2.2
Cross currency swaps -	23.0	27.8	2003-2008	-	15.1
Interest rate hedges --	-	(0.2)		-	(8.2)
Foreign exchange contracts -----	(0.2)	2.0	2002	-	(0.1)
	<u>\$ 22.8</u>	<u>\$ 33.0</u>		<u>\$ -</u>	<u>\$ 9.0</u>

i) Coupon swaps, cross currency swaps, interest rate hedges, and foreign exchange contracts are valued at December 31, 2001 market rates.

c) Fair value of financial assets and liabilities

The fair value of the Corporation's financial assets and liabilities is as follows (millions of dollars):

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term investments (d) -----	\$ 500.2	\$ 558.3	\$ 434.4	\$ 448.3
Sinking fund equity -----	299.8	303.7	396.0	399.5
Long-term debt -----	3,346.0	3,800.6	3,032.1	3,513.3

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

16. Financial Instruments (continued)

The fair values of the above instruments were based on the following:

i) Long-term investments

Share investments - The fair value of publicly traded share investments is based on their final traded price per share on December 31, 2001, less estimated selling costs.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2001, quoted market value.

iii) Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

- d) The Corporation has not attempted to determine the fair value of its investments in its equity holdings (\$174.7 million), non-publicly traded common shares (\$20.7 million), property holdings (\$119.5 million), leases receivable (\$4.1 million), or certain loans (\$44.1 million) due to the costs associated with this type of valuation.

Excluded from the amounts above are \$239.1 million of assets held with HARO, and secured by HARO's 65.2 per cent interest in Crown Life. It is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

e) Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation does not have a significant credit exposure to any individual customer. For 2001, credit losses were insignificant.

f) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

- i) short-term investments;
- ii) accounts receivable;
- iii) bank indebtedness;
- iv) accounts payable and accrued liabilities;
- v) notes payable; and,
- vi) dividend payable to General Revenue Fund,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

17. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2002	\$ 36,975
2003	34,042
2004	27,203
2005	24,280
2006	21,569
Thereafter	9,899
	\$ 153,968

18. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown operations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

	2001	2000
Accounts receivable	\$ 13.0	\$ 8.7
Accounts payable and accrued liabilities	13.2	9.3
Sales of products and services	183.6	92.8
Operating costs	152.8	127.8
Costs capitalized	5.2	14.5

During 2001, the Corporation received \$12.9 million (2000 - \$16.5 million) in grants from the GRF.

Included in short-term investments is \$370.7 million invested with the GRF maturing March 28, 2002 at an average interest rate of 2.4 per cent.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

17. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2002	\$ 36,595
2003	34,042
2004	27,283
2005	24,300
2006	21,569
Thereafter	9,059
	\$ 152,848

18. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown operations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

	2001	2000
Accounts receivable	\$ 13.0	\$ 8.7
Accounts payable and accrued liabilities	15.2	9.3
Sales of products and services	103.6	92.8
Operating costs	152.0	127.8
Costs capitalized	5.2	14.5

During 2001, the Corporation received \$12.9 million (2000 - \$16.5 million) in grants from the GRF.

Included in short-term investments is \$370.7 million invested with the GRF maturing March 28, 2002 at an average interest rate of 2.4 per cent.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

19. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Meadow Lake Pulp Mill Limited Partnership, Centennial Foods Partnership and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

	2001	2000
Current assets -----	\$ 105,631	\$ 132,734
Long-term assets -----	178,508	191,176
Current liabilities -----	79,462	125,803
Long-term liabilities -----	122,174	144,727
Equity -----	82,503	53,380
Revenue -----	556,072	577,229
Expenses -----	526,996	535,219
Net income -----	29,076	42,010
Cash provided by operating activities -----	79,348	75,297
Cash (used in) provided by financing activities -----	(4,924)	734
Cash used in investing activities -----	(44,483)	(43,783)

20. Employee Future Benefits

a) Pension Benefits

Substantially all employees of the Corporation are participants in either defined contribution or defined benefit pension plans.

The Corporation's responsibility to the defined contribution plans is limited to making regular payments into the plans to match the required amounts contributed by employees for current service.

Based on the latest actuarial valuations, the fair value of the defined benefit pension funds' assets is \$1,478.1 million (2000 - \$1,601.1 million) which exceeds the present value of the accrued pension benefits of the defined benefit pension plans of \$1,390.6 million (2000 - \$1,331.0 million) by \$87.5 million (2000 - \$270.1 million). The actuarial present value of the accrued pension benefit is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. This estimate therefore involves risk that the actual amount may differ materially from the estimate.

Details of the defined benefit pension plans are as follows (thousands of dollars):

	2001	2000
Employee contributions -----	\$ 4,889	\$ 4,844
Employer contributions -----	200	546
Benefits paid -----	80,024	77,108

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

December 31, 2001

20. Employee Future Benefits (continued)

The significant actuarial assumptions used to determine the amounts under the defined benefit pension plans are as follows:

	2001	2000
Discount rate -----	6.78%	6.67%
Expected long-term rate of return of plan assets -----	7.39%	7.39%
Rate of compensation increase -----	2.92%	2.83%

Pension expense (income) for the year is as follows (thousands of dollars):

	2001	2000
Defined contribution pension plans -----	\$ 24,218	\$ 22,088
Defined benefit pension plans -----	(29,245)	(22,497)

b) Other Benefit Plans

Other benefit plans include a defined benefit severance plan for management employees, union employees and the supplementary superannuation plan. Details of these plans are as follows (thousands of dollars):

	2001	2000
Present value of accrued benefits -----	\$ 39,951	\$ 37,182
Accrued benefit liability -----	20,856	18,714
Benefits paid -----	4,813	4,063
Net expense -----	6,951	6,682
Employee contributions -----	3	-
Employer contributions -----	3	-

21. Subsequent Event

Subsequent to year end, the Corporation sold its remaining 5,423,123 shares of Cameco for net proceeds of \$226.4 million generating a gain on sale of \$111.5 million.

22. Comparative Figures

Certain of the 2000 comparative figures have been reclassified to conform with current year's presentation.

The consolidated financial statements as at December 31, 2000 and for the year then ended were audited by other auditors who expressed an opinion, without reservation, in their report dated March 9, 2001.

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

19. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Meadow Lake Pulp Mill Limited Partnership, Centennial Foods Partnership and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

	2001	2000
Current assets -----	\$ 105,631	\$ 132,734
Long-term assets -----	178,900	191,176
Current liabilities -----	79,461	125,803
Long-term liabilities -----	122,174	144,727
Equity -----	82,903	53,380
Revenue -----	556,072	577,229
Expenses -----	526,996	535,219
Net income -----	29,076	42,010
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Details of the defined benefit pension plans are as follows (thousands of dollars):

	2001	2000
Employee contributions -----	\$ 4,844	\$ 4,844
Employer contributions -----	546	546
Benefits paid -----	77,108	77,108

Crown Investments Corporation of Saskatchewan Notes to Consolidated Financial Statements

December 31, 2001

20. Employee Future Benefits (continued)

The significant actuarial assumptions used to determine the amounts under the defined benefit pension plans are as follows:

	2001	2000
Discount rate -----	6.78%	6.67%
Expected long-term rate of return of plan assets -----	7.59%	7.39%
Rate of compensation increase -----	1.92%	2.83%

Pension expense (income) for the year is as follows (thousands of dollars):

	2001	2000
Defined contribution pension plans -----	\$ 31,118	\$ 22,088
Defined benefit pension plans -----	(29,147)	(22,497)

b) Other Benefit Plans

Other benefit plans include a defined benefit severance plan for management employees, union employees and the supplementary superannuation plan. Details of these plans are as follows (thousands of dollars):

	2001	2000
Present value of accrued benefits -----	\$ 99,931	\$ 37,182
Accrued benefit liability -----	30,854	18,714
Benefits paid -----	4,813	4,063
Net expense -----	6,951	6,682
Employee contributions -----	3	-
Employer contributions -----	3	-

21. Subsequent Event

Subsequent to year end, the Corporation sold its remaining 5,423,123 shares of Cameco for net proceeds of \$226.4 million generating a gain on sale of \$111.5 million.

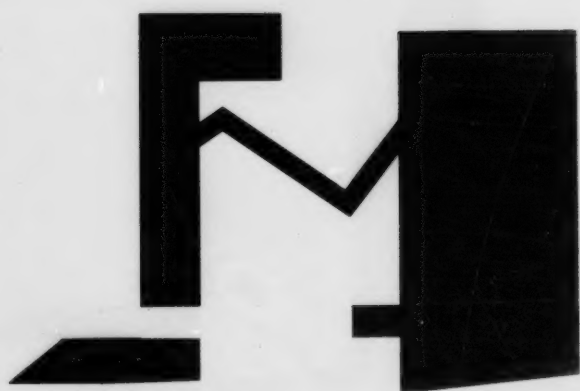
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Certain of the 2000 comparative figures have been reclassified to conform with current year's presentation.

The consolidated financial statements as at December 31, 2000 and for the year then ended were audited by other auditors who expressed an opinion, without reservation, in their report dated March 9, 2001.



CIC Non-Consolidated Financial Statements



**Crown Investments Corporation of Saskatchewan
(Non-Consolidated)**

**CIC Consolidated
Financial Statements**

**CIC Non-Consolidated
Financial Statements**

Include:

Revenue/Expenses:

- ~ Dividends from subsidiaries
and Cameco Corporation
- ~ Net interest and operating
costs
- ~ Grants paid to subsidiary
Crown corporations

Assets/Liabilities:

- ~ Equity advances to
subsidiary Crown
corporations
- ~ Investments in CIC III,
Cameco Corporation and
NewGrade Energy Inc.
- ~ Debt

Crown Investments Corporation of Saskatchewan (Non-Consolidated)

CIC is the provincial government's holding company for its commercial Crowns and CIC III. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability. CIC also holds the Province's investment in Cameco and NewGrade.

This narrative on CIC's non-consolidated 2001 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

Results of Operations

Earnings for 2001 were \$110.2 million (2000 - \$204.1 million). The \$93.9 million decrease was largely due to lower dividend revenue and higher grants to subsidiaries, partly offset by higher interest earned from short-term investments and lower net interest and operating expenses.

Revenues for the year were \$141.1 million (2000 - \$232.4 million). The \$91.3 million decrease was primarily the result of lower dividends from subsidiaries partly offset by higher interest revenue.

Dividend revenue was \$119.2 million (2000 - \$225.1 million). The \$105.9 million decrease was due to lower dividends from subsidiary Crown corporations. SaskPower's dividend to CIC for 2001 decreased \$53.1 million primarily as a result of low water levels, which forced SaskPower to replace low cost hydro generation with higher cost supply sources. SGI's regular dividend to CIC decreased \$10.3 million primarily due to decreased investment earnings. SGI paid a special \$22.0 million dividend to CIC in 2000 to optimize SGI's capital structure, which also contributed to the overall decline in SGI dividend revenue from the prior year. SaskEnergy incurred a loss and paid no dividend due to the Government's decision that SaskEnergy absorb \$75.9 million of gas costs to benefit customers. Partially offsetting these decreases in dividends was a \$4.1 million increase in dividends from SaskTel due to increased profitability.

In 2001, CIC received \$15.5 million in principal repayments on promissory notes outstanding from NewGrade. Of this, \$2.3 million represents recovery of previously allowed for loans.

Expenses were \$17.8 million (2000 - \$23.4 million). The \$5.6 million decline was due mainly to reduced net interest expense. Interest expense of \$6.9 million (2000 - \$12.0 million) declined \$5.1 million due to repayment of long-term debt in 2001 combined with sinking fund earnings. Operating expenses were \$10.8 million (2000 - \$11.3 million).

CIC provided \$3.8 million in grants to STC (2000 - \$3.7 million): \$2.0 million for operations (2000 - \$1.8 million) and \$1.8 million for capital (2000 - \$1.9 million). CIC provided \$9.3 million in grants to ISC: \$5.3 million for an early retirement program and \$4.0 million for operations (2000 - nil).

CIC provided \$5.1 million in equity advances to ISC in 2001.

Debt at year-end remained at a self-supporting level of \$22.6 million (2000 - \$47.9 million). The reduction of \$25.3 million was due to repayment of maturing long-term debt (\$7.3 million, net of sinking funds), sinking fund earnings (\$13.0 million), and placement of \$5.0 million into sinking funds.

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Crown Investments Corporation of Saskatchewan (Non-Consolidated)

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	2001	2000
Cash from Operations -----	\$ 126.8	\$ 174.3
Cash Provided by (Used in) Investing Activities -----	71.5	(45.6)
Debt Repaid to GRF (net of sinking fund instalments and redemptions) -----	(12.3)	(16.6)
Dividends Paid -----	-	(125.0)
Increase (Decrease) in Cash -----	\$ 186.0	\$ (12.9)

Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Operating, Investing and Financing Activities

Cash from operations was \$126.8 million (2000 - \$174.3 million). The \$47.5 million decrease was primarily due to lower dividends paid by subsidiary Crown corporations.

Cash provided by investing activities was \$71.5 million (2000 - cash used by investing activities was \$45.6 million). The primary reason for the \$117.1 million change was that in 2001, CIC III repaid \$61.3 million of non-interest bearing advances. In 2000, CIC made \$52.6 million in non-interest bearing advances to CIC III for investments. In 2001, CIC made a \$5.1 million equity advance to ISC (2000 - \$5.7 million).

Cash used in financing activities was \$12.3 million (2000 - \$141.6 million). The \$129.3 million decrease was mainly due to Cabinet's direction to CIC to defer its 2000 regular dividend payable in 2001. During 2001 CIC repaid \$7.3 million in long-term debt (net of sinking funds) and contributed a further \$5.0 million to its sinking funds.

Debt Management

CIC has borrowed to fund certain investments held by CIC and CIC III. In 2001, CIC reduced its debt to maintain it at a self-supporting level of \$22.6 million (2000 - \$47.9 million). Debt is characterized as self-supporting when there is a high degree of certainty that the amount and timing of the underlying investment cash flows can service and retire the associated debt at maturity. CIC's self-supporting debt level will change according to the composition of its investment portfolio as new investments are made and existing investments sold.

In 2002, CIC expects to fund its cash requirements (e.g., dividends to the GRF, investments, operating and interest expenditures) with internally generated cash. CIC does not expect to borrow from the GRF in 2002.

Crown Investments Corporation of Saskatchewan (Non-Consolidated)

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	2001	2000
Cash from Operations -----	\$ 126.8	\$ 174.3
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In 2002, CIC expects to fund its cash requirements (e.g., dividends to the GRF, investments, operating and interest expenditures) with internally generated cash. CIC does not expect to borrow from the GRF in 2002.

Crown Investments Corporation of Saskatchewan (Non-Consolidated)

Outlook and Key Factors Affecting Performance

The key factors affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and interest expense. Also affecting CIC's earnings are items attributable to its investments.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2002 to be higher than in 2001.

Interest expense is determined by CIC's level of debt and by the investment earnings of its sinking funds, which are offset against interest expense. CIC expects interest expense to be higher in 2002 than in 2001 primarily due to lower expected sinking fund earnings.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Crown Investments Corporation of Saskatchewan

Non-Consolidated Financial Statements

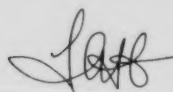
Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for meeting with management, KPMG and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO

March 11, 2002



Sheldon Schwartz, CFA
Chief Financial Officer

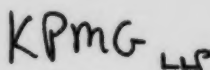
Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2001 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles except that they are prepared on a non-consolidated basis and use the cost method to account for investments that would normally be accounted for by the equity method as explained in Note 1.



KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 11, 2002

Crown Investments Corporation of Saskatchewan Non-Consolidated Statement of Financial Position

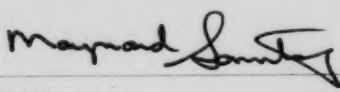
As at December 31
(thousands of dollars)

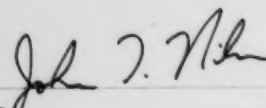
	2001	2000
ASSETS		
Cash and short-term investments -----	\$ 370,782	\$ 184,758
Interest and accounts receivable -----	1,457	246
Dividends receivable -----	28,300	57,027
Equity advances to Crown corporations (Note 3) -----	1,049,225	1,044,127
Investments in share capital corporations (Note 4) -----	449,646	524,088
Other assets (Note 5) -----	463	637
	<u>\$ 1,899,873</u>	<u>\$ 1,810,883</u>
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable -----	\$ 12,115	\$ 7,986
Dividend payable to General Revenue Fund -----	200,000	-
Long-term debt (Note 6) -----	22,573	47,894
	<u>234,688</u>	<u>55,880</u>
Province of Saskatchewan's Equity		
Equity advances (Note 7) -----	1,362,452	1,362,452
Reinvested earnings -----	302,733	392,551
	<u>1,665,185</u>	<u>1,755,003</u>
	<u>\$ 1,899,873</u>	<u>\$ 1,810,883</u>

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:


Director


Director

Crown Investments Corporation of Saskatchewan Non-Consolidated Statement of Financial Position

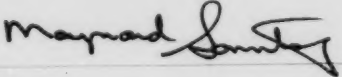
As at December 31
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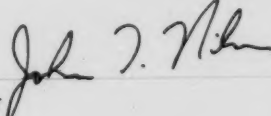
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Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:


Director


Director

**Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and
Reinvested Earnings**

For the Year Ended December 31
(thousands of dollars)

	2001	2000
REVENUE		
Dividend (Note 9) -----	\$ 119,247	\$ 225,071
Interest -----	19,358	7,191
Other -----	2,506	91
	141,111	232,353
EXPENSES		
Interest -----	6,896	11,969
General, administrative and other -----	10,784	11,275
Amortization of capital assets -----	162	166
	17,842	23,410
Earnings before the following -----	123,269	208,943
Grant to Information Services Corporation -----	9,287	-
Grant to Saskatchewan Transportation Company -----	3,800	3,650
Grant to Saskatchewan Water Corporation -----	-	1,200
NET EARNINGS -----	110,182	204,093
REINVESTED EARNINGS, BEGINNING OF YEAR -----	392,551	188,832
	502,733	392,925
RELATED PARTY TRANSFER PRICE		
ADJUSTMENT (Note 10) -----	-	374
DIVIDEND TO GENERAL REVENUE FUND -----	200,000	-
REINVESTED EARNINGS, END OF YEAR -----	<u>\$ 302,733</u>	<u>\$ 392,551</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Net earnings -----	\$ 110,182	\$ 204,093
Add (deduct) non-cash items:		
Amortization -----	162	166
Sinking fund earnings -----	(12,978)	(13,342)
Recovery of investment losses -----	(2,339)	-
Other non-cash items -----	149	383
	95,176	191,300
Net change in non-cash working capital balances related to operations (Note 11) -----	31,645	(16,995)
Cash provided by operating activities -----	126,821	174,305
INVESTING ACTIVITIES		
Purchase of investments -----	-	(55,912)
Proceeds from sale of assets to related party (Note 10) -----	-	16,226
Proceeds from sales and collections of investments -----	76,781	-
Purchase of capital assets -----	(137)	(218)
Equity advances to Crown corporations -----	(5,098)	(5,745)
	71,546	(45,649)
Cash provided by (used in) investing activities -----	71,546	(45,649)
FINANCING ACTIVITIES		
Notes payable to General Revenue Fund (Note 10) -----	-	(16,600)
Long-term debt repayments -----	(101,168)	-
Sinking fund instalments -----	(5,000)	-
Sinking fund redemptions -----	93,825	-
Dividends paid to General Revenue Fund -----	-	(125,000)
	(12,343)	(141,600)
Cash used in financing activities -----	(12,343)	(141,600)
NET INCREASE (DECREASE) IN CASH DURING YEAR -----	186,024	(12,944)
CASH POSITION, BEGINNING OF YEAR -----	184,758	197,702
CASH POSITION, END OF YEAR -----	\$ 370,782	\$ 184,758

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and
Reinvested Earnings**

For the Year Ended December 31
(thousands of dollars)

	2001	2000
REVENUE		
Dividend (Note 9) -----	\$ 119,247	\$ 225,071
Interest -----	19,358	7,191
Other -----	2,506	91
	141,111	232,353
EXPENSES		
Interest -----	6,896	11,969
General, administrative and other -----	10,784	11,275
Amortization of capital assets -----	162	166
	17,842	23,410
Earnings before the following -----	123,269	208,943
Grant to Information Services Corporation -----	9,287	-
Grant to Saskatchewan Transportation Company -----	3,800	3,650
Grant to Saskatchewan Water Corporation -----	-	1,200
NET EARNINGS -----	110,182	204,093
REINVESTED EARNINGS, BEGINNING OF YEAR -----	392,551	188,832
	502,733	392,925
RELATED PARTY TRANSFER PRICE		
ADJUSTMENT (Note 10) -----	-	374
DIVIDEND TO GENERAL REVENUE FUND -----	200,000	-
REINVESTED EARNINGS, END OF YEAR -----	<u>\$ 302,733</u>	<u>\$ 392,551</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Net earnings -----	\$ 110,182	\$ 204,093
Add (deduct) non-cash items:		
Amortization -----	162	166
Sinking fund earnings -----	(12,978)	(13,342)
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	95,176	191,300
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CASH POSITION, END OF YEAR -----	\$ 370,782	\$ 184,758

(See accompanying notes)

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These financial statements are prepared on a non-consolidated basis for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. For further information, readers should refer to the Crown Investments Corporation of Saskatchewan (CIC) consolidated financial statements. The consolidated financial statements include the accounts of CIC, the subsidiary Crown corporations listed in Note 2, CIC Industrial Interests Inc., a wholly-owned share capital subsidiary, and the proportionate shares of jointly controlled enterprises.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Where there has been a decline in any other investment it is written down to its fair value. Dividends from these share investments are recognized as income when declared.

d) Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Capital assets are amortized over their estimated useful lives using the declining balance method at rates of 20% to 30% a year.

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

1. Summary of Significant Accounting Policies (continued)

e) Deferred charges

Costs and discounts incurred on the issue of long-term debt are recorded at cost less accumulated amortization. These deferred charges are amortized over the term of the related debt on a straight-line basis.

f) Fair value disclosure of short-term financial instruments

For certain of CIC's financial instruments including:

- i) cash and short-term investments;
- ii) interest and accounts receivable;
- iii) dividends receivable;
- iv) interest and accounts payable; and,
- v) dividend payable to the General Revenue Fund,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

g) Cash position

Cash position includes cash held within the Corporation's bank account and short-term investments which mature on March 28, 2002.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order-in-Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993**, as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order-in-Council:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

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Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

3. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows
(thousands of dollars):

	2001	2000
Saskatchewan Power Corporation -----	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation ---	250,000	250,000
SaskEnergy Incorporated -----	71,531	71,531
Saskatchewan Government Insurance -----	55,000	55,000
Information Services Corporation of Saskatchewan -----	10,843	5,745
Saskatchewan Development Fund Corporation -----	1,150	1,150
Saskatchewan Water Corporation -----	700	700
Saskatchewan Government Growth Fund Management Corporation -----	1	1
	<u>\$ 1,049,225</u>	<u>\$ 1,044,127</u>

4. Investments in Share Capital Corporations

(thousands of dollars)

	Voting Percentage	2001	2000
CIC Industrial Interests Inc. (a):			
34,000,000 common shares -----	100%	\$ 340,000	\$ 340,000
Due to CIC -----		153,295	214,548
		<u>493,295</u>	<u>554,548</u>
NewGrade Energy Inc. (b):			
100 Class Y voting participating common shares -----	50%	50,001	50,001
Promissory notes -----		15,719	31,247
		<u>65,720</u>	<u>81,248</u>
Cameco Corporation (c):			
5,420,567 common shares -----	9.7%	100,586	100,586
		<u>659,601</u>	<u>736,382</u>
Less: Write down of investments:			
CIC Industrial Interests Inc. -----		(152,725)	(152,725)
NewGrade Energy Inc. -----		(57,230)	(59,569)
		<u>\$ 449,646</u>	<u>\$ 524,088</u>

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

4. Investments in Share Capital Corporations (continued)

- a) Amounts due to CIC are non-interest bearing and repayable on demand.
- b) CIC owns 50.0 per cent of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. CIC also holds certain promissory notes due on demand from NewGrade, bearing interest at Bank of Montreal prime rate, which is 4.00 per cent as at December 31, 2001 (2000 - 7.50 per cent).

In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed \$40 million outstanding at any time.

On December 28, 2001 CIC received \$15.5 million in principal repayments on promissory notes outstanding. Of this amount, \$2.3 million represents recovery of loans previously allowed for.

- c) Included in the investment in Cameco Corporation (Cameco) is one Class B share which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

The fair value of Cameco shares was calculated on the last trade value on December 31, 2001, less estimated costs of disposition. The fair value of these shares is \$204.2 million (2000 - \$136.6 million).

- d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value.

5. Other Assets

(thousands of dollars)

		2001		2000	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Deferred charges -----	\$ 9,402	\$ 9,402	\$ -	\$ 149	
Capital assets -----	2,437	1,974	463	488	
	<u>\$ 11,839</u>	<u>\$ 11,376</u>	<u>\$ 463</u>	<u>\$ 637</u>	

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

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(thousands of dollars):

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Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

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Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

6. Long-term Debt

(thousands of dollars)

Maturity Date	Interest Rate	2001	2000
June 1, 2001 -----	8.750	\$ -	\$ 101,168
February 12, 2003 -----	9.055	154,108	154,108
June 2, 2006 -----	9.620	10,000	10,000
July 10, 2007 -----	9.830	4,000	4,000
March 3, 2008 -----	9.620	3,000	3,000
August 10, 2008 -----	10.060	3,919	3,919
		175,027	276,195
Less: Sinking Funds -----			
		152,454	228,301
		\$ 22,573	\$ 47,894

- a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.
- b) Gross long-term debt due in one year totals Nil (2000 - \$101.2 million).
- c) Certain issues totaling \$20.9 million (2000 - \$20.9 million) are subject to redemption on six months notice by the lender.
- d) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

2002 -----	\$ -
2003 -----	6,661
2004 -----	-
2005 -----	-
2006 -----	4,993
- e) The fair value of borrowed funds is determined by discounting the future cash flows at borrowing rates presently available to CIC for loans with similar terms and remaining maturity, less costs of settlement. The fair value of long-term debt is \$190.5 million (2000 - \$292.7 million).
- f) Total interest paid on long-term debt during 2001, on a cash basis, was \$20.4 million (2000 - \$25.0 million).
- g) The fair value of securities held in the sinking funds are based on their December 31, 2001 quoted value. The fair value of sinking funds is \$152.9 million (2000 - \$228.9 million).

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

8. Commitments and Contingencies

- a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the General Revenue Fund. At December 31, 2001, the General Revenue Fund's guarantee does not exceed \$360.0 million. CIC does not expect any exposure under this guarantee in 2002.
- b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of \$275.0 million. The fair value of the guarantee is \$64.9 million (2000 - \$71.7 million).
- c) On June 14, 2001 Meadow Lake Pulp Limited Partnership (MLPLP) refinanced its long-term debt with Sun Life Financial and Ontario Municipal Employees Retirement System (OMERS). As part of the refinancing agreement, CIC guaranteed MLPLP's long-term debt payments to Sun Life Financial and OMERS to a maximum of \$80.0 million. Subsequent to year end, CIC has paid \$2.0 million on this guarantee.
- d) CIC has guaranteed the return on annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2002.

9. Dividend Revenue

Dividend revenue consists of the following
(thousands of dollars):

	2001	2000
Saskatchewan Power Corporation -----	\$ 16,026	\$ 69,134
Saskatchewan Telecommunications Holding Corporation ---	91,347	87,279
SaskEnergy Incorporated -----	-	24,400
Saskatchewan Government Insurance -----	9,164	41,548
Cameco Corporation -----	2,710	2,710
	<u>\$ 119,247</u>	<u>\$ 225,071</u>

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December 31, 2001

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August 10, 2008 -----	10.060	3,919	3,919
		175,027	276,195
Less: Sinking Funds -----			
		152,454	228,301
		\$ 22,573	\$ 47,894

- a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.
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Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

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- b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of \$275.0 million. The fair value of the guarantee is \$64.9 million (2000 - \$71.7 million).
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	\$ 119,247	\$ 225,071

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

10. Related Party Transfer Price Adjustment

On June 28, 2000, the Corporation's subsidiary Saskatchewan Water Corporation transferred assets with a book value of \$16.2 million to CIC for assumption of \$16.6 million in notes payable to the GRE. The difference is recorded by CIC as a transfer of equity to Saskatchewan Water Corporation. The Corporation subsequently transferred these assets to its wholly-owned subsidiary, CIC III, at book value.

11. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)

	2001	2000
Increase in interest and accounts receivable-----	\$ (1,211)	\$ (153)
Decrease (increase) in dividends receivable -----	28,727	(17,506)
Increase in interest and accounts payable -----	4,129	664
	\$ 31,645	\$ (16,995)

12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows
(thousands of dollars):

Category (as per financial statements)	2001	2000
Interest and accounts receivable-----	\$ 1,319	\$ 46
Interest and accounts payable-----	11,191	6,574
General, administrative and other expenses -----	240	278
Interest revenue -----	7,683	1,957

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. and Saskatchewan Government Growth Fund Management Corporation, without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Crown Investments Corporation of Saskatchewan Notes to Non-Consolidated Financial Statements

December 31, 2001

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12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows
(thousands of dollars):

Category (as per financial statements)	2001	2000
Interest and accounts receivable-----	\$ 1,319	\$ 46
Interest and accounts payable-----	11,191	6,574
General, administrative and other expenses-----	240	278
Interest revenue-----	7,683	1,957

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. and Saskatchewan Government Growth Fund Management Corporation, without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Crown Investments Corporation of Saskatchewan

Notes to Non-Consolidated Financial Statements

December 31, 2001

13. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2001 was \$282.4 thousand (2000 - \$260.4 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2001 exceed the actuarially determined net present value of retirement annuities payable.

14. Subsequent Event

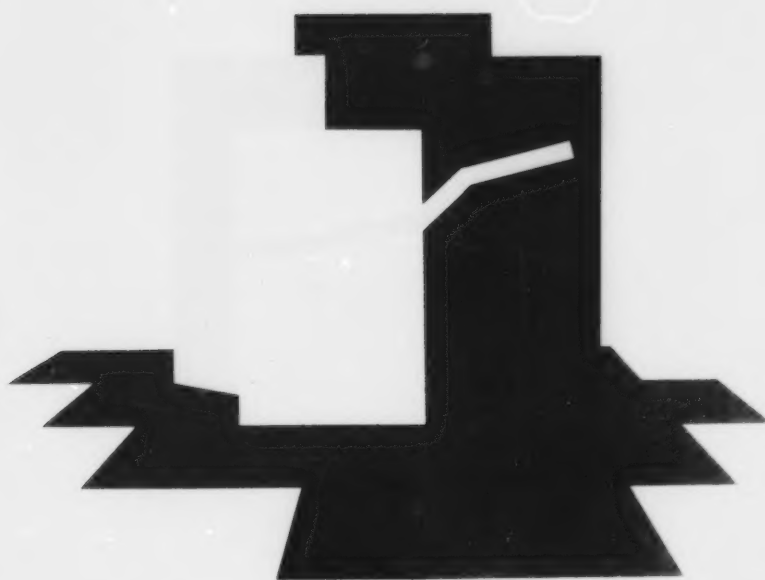
Subsequent to year end, CIC sold its remaining 5,420,567 shares of Cameco for net proceeds of \$226.3 million generating a gain on sale of \$125.7 million.

15. Comparative Figures

The non-consolidated financial statements as at December 31, 2000, and for the year then ended were audited by other auditors who expressed an opinion that the non-consolidated financial statements present fairly, in all material respect, the financial position of the Corporation as at December 31, 2000, except that they are prepared on a non-consolidated basis and use the cost method to account for investments that would normally be accounted for by the equity method, in their report dated March 9, 2001.



CIC III Non-Consolidated Financial Statements



**CIC Industrial Interests Inc.
(Non-Consolidated)**

**CIC Consolidated
Financial Statements**

**CIC Industrial
Interests Inc.
Non-Consolidated
Financial Statements**

Includes:

- Big Sky Farms Inc.
- Canadian Western Bank
Subsidiary
- Centralised Foods
Partnership
- FarmOne Capital Foods
Inc.
- Foreign Technology
Management Inc.
- Former Saskatchewan
Economic Development
Corporation Holdings
- Genex Sales Group Inc.
- HARO Financial
Corporation
- Meadow Lake ORE Limited
Partnership
- Meadow Lake Pulp Limited
Partnership
- Premier Brands Inc.
- Pioneer Technology
Ventures Inc.
- Sigma Motion Picture
Video & Sound Ltd.
- Saskatchewan Valley
Pulp Corporation
- Saskatoon Products Inc.
- S&S CANADA Industrial
Services Ltd.
- Western Life Insurance
Mutual Fund

CIC Industrial Interests Inc. (Non-Consolidated)

CIC Industrial Interests Inc. (CIC III) was incorporated in 1979 under **The Business Corporations Act (Saskatchewan)** as a wholly-owned subsidiary of CIC. CIC III was created as a vehicle to hold certain investments of a commercial nature which involve some degree of private ownership.

This narrative on CIC III's non-consolidated 2001 financial results should be read in conjunction with the audited non-consolidated financial statements.

Results of Operations

Loss for 2001 was \$15.7 million (2000 - earnings of \$22.0 million), a decrease of \$37.7 million. The decrease is primarily due to losses from equity investments of \$27.0 million compared to earnings of \$17.9 million in 2000. These losses were partially offset by higher interest, rental and other revenue.

The loss from CIC III's investment in MLPLP totalled \$15.0 million in 2001 compared to earnings of \$17.7 million in 2000. The loss was the result of a softening of world commodity prices for pulp due to an oversupply on the world market. 2001 results also included \$16.6 million in losses from SVPC (2000 - \$0.8 million), including a write-down of \$14.3 million of certain production assets due to recurring losses from potato operations.

Interest, rental and other revenue totalled \$14.8 million in 2001 (2000 - \$12.6 million). The \$2.2 million increase was mainly due to HARO's partial repayment of outstanding loans. During 2001, HARO paid \$42.4 million to CIC III, \$33.9 million as principal and \$8.5 million as interest. In 2000 HARO made a \$5.0 million interest payment to CIC III.

Expenses in 2001 were \$3.5 million (2000 - \$5.0 million). The \$1.5 million decrease was primarily due to lower rental and other expenses. 2000 expenses included a \$0.8 million expense related to the Community Bonds Program. CIC III sold its last significant rental property in 2000.

CIC's non-interest bearing advances to CIC III decreased by \$61.3 million to \$153.3 million at year end (2000 - \$214.6 million). The decrease in advances is due mainly to cash receipts from the partial repayment of HARO advances (\$42.4 million) and the maturity of the Cornwall Centre mortgages (\$35.5 million).

During 2001, CIC III made the following equity investments: \$15.0 million in Premium Brands Inc.; \$4.5 million in Regina Motion Picture Video & Sound Ltd.; \$0.7 million in Western Life Sciences Venture Fund; \$0.2 million in FarmGro Organic Foods Inc.; and, advanced \$0.3 million to CIC OSB Products Inc. as part of a \$27.5 million commitment to build a state of the art oriented strand board plant in northern Saskatchewan. During 2001, CIC III made the following loans: \$0.8 million to XL Foods Inc.; and, \$2.2 million to SVPC for its operating line of credit.

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CIC Industrial Interests Inc. (Non-Consolidated)

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	2001	2000
Cash from Operations -----	\$ 12.7	\$ 16.7
Net Proceeds from (Purchase of) Investments -----	48.6	(69.3)
(Decrease) Increase in Due to CIC -----	(61.3)	52.6
Cash Position, End of Year -----	\$ -	\$ -

Liquidity

CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

Operating, Investing and Financing Activities

Cash provided by operations was \$12.7 million (2000 - \$16.7 million). This \$4.0 million decrease was primarily due to a reduction of accounts payable.

Cash provided by investing activities was \$48.6 million (2000 - \$69.3 million cash used in investing activities). The difference is mainly due to repayments from HARO (\$42.4 million) on its term loan and the maturity of the Cornwall Centre mortgages (\$35.5 million). CIC III investing activities for 2001 included \$21.3 million in purchases of new investments (2000 - \$55.9 million).

Cash used in financing activities of \$61.3 million (2000 - \$52.6 million provided by financing activities) was for repayment of non-interest bearing advances from CIC. CIC III did not declare a dividend to CIC in 2001.

Debt Management

All debt used to finance investments by CIC III is non-interest bearing and held by CIC. CIC III applies all surplus cash to repay these advances.

Outlook and Key Factors Affecting Performance

CIC III's earnings are affected primarily by the performance of its investments, including any associated provisions or realized gains or losses on disposition. The factors affecting the earnings and outlook for CIC III's major investments with private sector partners are discussed in the "Management's Discussion & Analysis" section.

CIC III regularly assesses the appropriateness of the carrying value for all of its investments, and provides for losses on an investment if it judges there to be a permanent impairment in its carrying value. CIC III regularly reviews its investments to determine the appropriateness of retention or divestiture.

Environmental Considerations in Investments

In considering all new investments and as part of its due diligence, CIC III reviews environmental risk and sensitivities through the use of a checklist process. In addition to providing a thorough understanding of the impact of a project on the environment, ensuring that appropriate steps will be taken to protect the environment, the checklist process ensures the investment will comply with environmental review and approvals processes. CIC III monitors environmental stewardship and protection through verification from all major and medium sized investments to ensure they are in full compliance with environmental standards. CIC III periodically conducts environmental assessments of its major investments to ensure these investments comply with or exceed current environmental standards and use operating procedures that include responsible environmental practices.

CIC Industrial Interests Inc. (Non-Consolidated)

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	2000
Cash from Operations -----	\$ 16.7
Net Proceeds from (Purchase of) Investments -----	(69.3)
(Decrease) Increase in Due to CIC -----	52.6
Cash Position, End of Year -----	\$ -

Liquidity

CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

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CIC Industrial Interests Inc.

Non-Consolidated Financial Statements

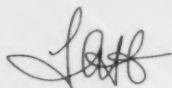
Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of CIC Industrial Interests Inc. to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for meeting with management, KPMG and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO



Sheldon Schwartz, CFA
Chief Financial Officer

March 11, 2002

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of CIC Industrial Interests Inc. as at December 31, 2001 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles except that they are prepared on a non-consolidated basis as explained in Note 1.

KPMG LLP

KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 11, 2002

CIC Industrial Interests Inc.
Non-Consolidated Statement of Financial Position
As at December 31
(thousands of dollars)

ASSETS

Interest and accounts receivable -----	2000
Equipment held for sale -----	\$ 1,405
Debentures and loans receivable (Note 3) -----	100
Investment - HARO Financial Corporation (Note 4) -----	47,023
Investments - equity basis (Note 5) -----	273,042
Investments - cost basis (Note 6) -----	291,288
Investments - properties (Note 7) -----	10,275
	8,838

\$ 631,971

LIABILITIES AND SHAREHOLDER'S EQUITY

Accounts payable -----	\$ 8,619
Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 8) -----	214,548

223,167

Shareholder's Equity

Share capital (Note 9) -----	340,000
Reinvested earnings -----	68,804

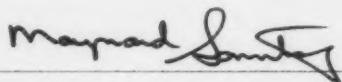
408,804

\$ 631,971

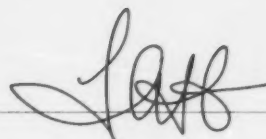
Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:



Director



Director

CIC Industrial Interests Inc.
Non-Consolidated Statement of Operations and
Reinvested Earnings

For the Year Ended December 31

(thousands of dollars)

	2000
REVENUES	
Interest, rental and other -----	\$ 12,586
(Losses) earnings from equity investments (Note 5(j)) -----	17,884
Gain (loss) on sale of investments -----	(3,500)
	26,970
EXPENSES	
Amortization -----	101
Provision for investment losses -----	3,771
Rental and other -----	1,092
	4,964
NET (LOSS) INCOME -----	22,006
REINVESTED EARNINGS, BEGINNING OF YEAR -----	46,798
REINVESTED EARNINGS, END OF YEAR -----	\$ 68,804

(See accompanying notes)

CIC Industrial Interests Inc.
Non-Consolidated Statement of Financial Position

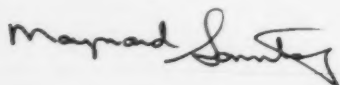
As at December 31
(thousands of dollars)

	2001	2000
ASSETS		
Interest and accounts receivable -----	\$ 1,110	\$ 1,405
Equipment held for sale -----	100	100
Debentures and loans receivable (Note 3) -----	10,929	47,023
Investment - HARO Financial Corporation (Note 4) -----	239,141	273,042
Investments - equity basis (Note 5) -----	267,286	291,288
Investments - cost basis (Note 6) -----	27,910	10,275
Investments - properties (Note 7) -----	5,028	8,838
	<u>\$ 551,504</u>	<u>\$ 631,971</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts payable -----	\$ 5,091	\$ 8,619
Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 8) -----	153,295	214,548
	<u>158,386</u>	<u>223,167</u>
Shareholder's Equity		
Share capital (Note 9) -----	340,000	340,000
Reinvested earnings -----	53,118	68,804
	<u>393,118</u>	<u>408,804</u>
	<u>\$ 551,504</u>	<u>\$ 631,971</u>

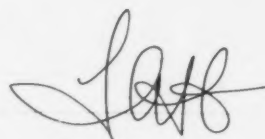
Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:



Director



Director

CIC Industrial Interests Inc.
Non-Consolidated Statement of Operations and
Reinvested Earnings
For the Year Ended December 31
(thousands of dollars)

	2001	2000
REVENUES		
Interest, rental and other	\$ 14,842	\$ 12,586
(Losses) earnings from equity investments (Note 5(j))	(27,012)	17,884
Gain (loss) on sale of investments	5	(3,500)
	(12,165)	26,970
EXPENSES		
Amortization	47	101
Provision for investment losses	3,310	3,771
Rental and other	164	1,092
	3,521	4,964
NET (LOSS) INCOME		
	(15,686)	22,006
REINVESTED EARNINGS, BEGINNING OF YEAR		
	68,804	46,798
REINVESTED EARNINGS, END OF YEAR		
	\$ 53,118	\$ 68,804

(See accompanying notes)

CIC Industrial Interests Inc.
Non-Consolidated Statement of Cash Flows
For the Year Ended December 31
(thousands of dollars)

OPERATING ACTIVITIES

	2001	2000
Net (loss) income	\$ (15,686)	\$ 22,006
Dividends received from equity investments	1,254	761
Add (deduct) non-cash items:		
(Gain) loss on sale of investments	(5)	3,500
Losses (earnings) from equity investments	27,012	(17,884)
Amortization	47	101
Provision for investment losses	3,310	3,771
	15,932	12,255
Net change in non-cash working capital balances related to operations	(3,233)	4,427
Cash provided by operating activities	12,699	16,682

INVESTING ACTIVITIES

Increase in debentures and loans receivable	(4,909)	(1,672)
Debt and loan repayments received	70,801	1,947
Purchase of assets from CIC (Note 5(d))	-	(16,226)
Purchase of investments	(21,298)	(55,898)
Proceeds from sale of investments	3,960	2,513
	48,554	(69,336)
Cash provided by (used in) investing activities		

FINANCING ACTIVITIES

(Decrease) increase in due to CIC	(61,253)	52,654
Cash (used in) provided by financing activities	(61,253)	52,654

NET CHANGE IN CASH

-

CASH POSITION, BEGINNING OF YEAR

-

CASH POSITION, END OF YEAR

\$ - \$ -

(See accompanying notes)

CIC Industrial Interests Inc.
Non-Consolidated Statement of Cash Flows
For the Year Ended December 31
(thousands of dollars)

OPERATING ACTIVITIES

		2000
Net (loss) income -----	\$ (11,204)	\$ 22,006
Dividends received from equity investments -----	1,254	761
Add (deduct) non-cash items:		
(Gain) loss on sale of investments -----	0	3,500
Losses (earnings) from equity investments -----	27,912	(17,884)
Amortization -----	40	101
Provision for investment losses -----	3,314	3,771
	15,932	12,255
Net change in non-cash working capital balances related to operations -----	(15,235)	4,427
Cash provided by operating activities -----	12,697	16,682

INVESTING ACTIVITIES

Increase in debentures and loans receivable -----	(4,997)	(1,672)
Debenture and loan repayments received -----	70,801	1,947
Purchase of assets from CIC (Note 5(d)) -----		(16,226)
Purchase of investments -----	(21,254)	(55,898)
Proceeds from sale of investments -----	3,988	2,513
Cash provided by (used in) investing activities -----	48,534	(69,336)

FINANCING ACTIVITIES

(Decrease) increase in due to CIC -----	(61,255)	52,654
Cash (used in) provided by financing activities -----	(61,255)	52,654

NET CHANGE IN CASH -----

CASH POSITION, BEGINNING OF YEAR -----

CASH POSITION, END OF YEAR -----

(See accompanying notes)

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements are prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

CIC Industrial Interests Inc. (the Corporation) is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC) as discussed in Note 2. These financial statements are prepared on a non-consolidated basis for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. For further information, readers should refer to the annual consolidated financial statements of CIC.

b) Advances, debentures and loans receivable

The Corporation records advances, debentures and loans receivable at cost. When there is a decline in the value of an advance, debenture, loan or mortgage receivable, the asset is written down to its estimated net realizable value.

The Corporation recognizes interest earned on debentures, loans and mortgages receivable on the accrual basis except when collection is uncertain.

When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

c) Investments – equity basis

The Corporation accounts for investments in its subsidiaries, CIC Pulp Ltd., Saskatchewan Valley Potato Corporation, 101012875 Saskatchewan Ltd., 101012876 Saskatchewan Ltd., Genex Swine Group Inc., CIC OSB Products Inc. and CIC Foods Inc., using the equity method. The carrying value of the Corporation's investment is adjusted for the Corporation's proportionate share of the subsidiaries' net earnings or losses and decreased by dividends received. The Corporation also uses the equity method to account for other investments it significantly influences.

The Corporation's investments in CIC Pulp Ltd., Saskatchewan Valley Potato Corporation, CIC OSB Products Inc., CIC Foods Inc. and FarmGro Organic Foods Inc. consist of equity and debt instruments. Where there is a decline in the value of a debt instrument that is not considered temporary, the instrument is written down to its estimated net realizable value.

d) Investments – cost basis

The Corporation records long-term investments in corporations not subject to significant influence at cost. When there is a decline in value of an investment that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends are recorded as income when receivable.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

1. Summary of Significant Accounting Policies (continued)

e) Investments – properties

Rental properties are recorded at the lower of amortized cost and estimated net recoverable value.

Properties held for sale are recorded at the lower of cost and net realizable value.

f) Amortization

Amortization on rental properties is calculated using an increasing charge method whereby the assets are amortized over 25 years, assuming an interest cost of 8 per cent.

g) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

- i) interest and accounts receivable;
- ii) accounts payable; and,
- iii) due to CIC,

the carrying value amounts approximate fair value due to their immediate or short-term maturity.

2. Status of the Corporation

CIC Industrial Interests Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979, as a wholly-owned subsidiary of CIC, a Provincial Crown corporation. The Corporation is not subject to Federal or Provincial income taxes by virtue of this ownership. The CIC consolidated financial statements include the financial results of the Corporation and its subsidiaries.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

3. Debentures and Loans Receivable

(thousands of dollars)

Cornwall Centre Mortgages:

Mortgages receivable (a)

Cornwall Centre Phase I ----- \$ 28,662

Cornwall Centre Phase II ----- 7,388

36,050

Canadian Western Bank:

Debenture (b) ----- 3,126

XL Foods Inc.:

Loans receivable (c) ----- 1,564

Other Loans:

Loan principal receivable (d) ----- 18,780

Loan interest and costs receivable ----- 205

Lease options (net of unearned income) ----- 2,578

Less: Provision for loan losses ----- (15,280)

6,283

\$ 47,023

- a) The Corporation held two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. This financing was provided in two phases to aid in the construction and development of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Both mortgages matured December 1, 2001.
- b) The Corporation holds a \$3.1 million non-convertible debenture in the Canadian Western Bank that matures June 30, 2007. The debenture earns 6.59 per cent annually to June 30, 2002, and a rate equal to the 90 day Bankers' Acceptance rate plus 1 per cent annually thereafter. Interest is paid semi-annually. This debenture is redeemable by Canadian Western Bank anytime on or after June 30, 2002 at par plus accrued interest.
- c) The Corporation holds \$2.4 million in loans receivable from XL Foods Inc. The first loan, \$1.6 million, was provided in the aid of XL Foods Inc.'s purchase of Western Canadian Beef Packers Inc. from the Corporation. The loan earns 6.75 per cent annually calculated monthly. Interest is paid monthly and the principal is payable in instalments beginning May 1, 2002.

The second loan, \$0.8 million, was provided to aid in the upgrade of XL Foods Inc.'s slaughter facilities. The loan earns 6.75 per cent annually calculated monthly. Interest is paid monthly and the principal is payable in instalments beginning June 1, 2002.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

3. Debentures and Loans Receivable

(thousands of dollars)

	2001	2000
Cornwall Centre Mortgages:		
Mortgages receivable (a)		
Cornwall Centre Phase I -----	\$ -	\$ 28,662
Cornwall Centre Phase II -----	-	7,388
	-	36,050
Canadian Western Bank:		
Debenture (b) -----	3,126	3,126
XL Foods Inc.:		
Loans receivable (c) -----	2,364	1,564
Other Loans:		
Loan principal receivable (d) -----	17,969	18,780
Loan interest and costs receivable -----	195	205
Lease options (net of unearned income) -----	2,408	2,578
Less: Provision for loan losses -----	(15,133)	(15,280)
	5,439	6,283
	\$ 10,929	\$ 47,023

- a) The Corporation held two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. This financing was provided in two phases to aid in the construction and development of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Both mortgages matured December 1, 2001.
- b) The Corporation holds a \$3.1 million non-convertible debenture in the Canadian Western Bank that matures June 30, 2007. The debenture earns 6.59 per cent annually to June 30, 2002, and a rate equal to the 90 day Bankers' Acceptance rate plus 1 per cent annually thereafter. Interest is paid semi-annually. This debenture is redeemable by Canadian Western Bank anytime on or after June 30, 2002 at par plus accrued interest.
- c) The Corporation holds \$2.4 million in loans receivable from XL Foods Inc. The first loan, \$1.6 million, was provided in the aid of XL Foods Inc.'s purchase of Western Canadian Beef Packers Inc. from the Corporation. The loan earns 6.75 per cent annually calculated monthly. Interest is paid monthly and the principal is payable in instalments beginning May 1, 2002.

The second loan, \$0.8 million, was provided to aid in the upgrade of XL Foods Inc.'s slaughter facilities. The loan earns 6.75 per cent annually calculated monthly. Interest is paid monthly and the principal is payable in instalments beginning June 1, 2002.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

3. Debentures and Loans Receivable (continued)

- d) The loan portfolio primarily consists of mortgage backed loans with various interest rates ranging from 0 per cent to 15.75 per cent. Maturities on these loans extend to the year 2013.
- e) Debentures and loans receivable maturing in 2002 total \$0.8 million (2000 - \$36.6 million).
- f) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately \$9.9 million (2000 - \$48.9 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, therefore it may not represent the exact amount that could be realized upon settlement.

- g) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

4. Investment - HARO Financial Corporation

(thousands of dollars)

	2001	2000
Term loan (a) -----	\$ 331,008	\$ 355,845
Interest receivable on Term Loan -----	7,346	2,875
Less: Deferred interest -----	(167,213)	(153,678)
	171,141	205,042
68,000,000 Class B non-voting common shares (b) -----	68,000	68,000
	\$ 239,141	\$ 273,042

- a) Since 1992, the Corporation has advanced in total \$273.0 million (2000 - \$273.0 million) to HARO Financial Corporation (HARO) to finance HARO's ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert \$68.0 million of this Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

3. Debentures and Loans Receivable (continued)

- d) The loan portfolio primarily consists of mortgage backed loans with various interest rates ranging from 0 per cent to 15.75 per cent. Maturities on these loans extend to the year 2013.
- e) Debentures and loans receivable maturing in 2002 total \$0.8 million (2000 - \$36.6 million).
- f) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately \$9.9 million (2000 - \$48.9 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, therefore it may not represent the exact amount that could be realized upon settlement.

- g) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

4. Investment - HARO Financial Corporation

(thousands of dollars)

		2000
Term loan (a) -----	\$	355,845
Interest receivable on Term Loan -----		2,875
Less: Deferred interest -----		(153,678)
		205,042
68,000,000 Class B non-voting common shares (b) -----		68,000
	\$	273,042

- a) Since 1992, the Corporation has advanced in total \$273.0 million (2000 - \$273.0 million) to HARO Financial Corporation (HARO) to finance HARO's ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert \$68.0 million of this Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

4. Investment – HARO Financial Corporation (continued)

The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a second five-year term in 1998. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the second five-year term, the interest rate on the loan is 6.64 per cent (2000 - 6.64 per cent) compounded annually.

Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2001 consist primarily of HARO's 65.2 per cent interest in Crown Life shares. On January 1, 1999, The Canada Life Assurance Company acquired all of Crown Life's Canadian insurance business, substantially all of its non-Canadian reinsurance business as well as various international insurance operations. These assets and operations will continue to be managed by Crown Life out of Regina, Saskatchewan.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2001, is \$167.2 million (2000 - \$153.7 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

- b) Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

Since this sale significantly changed Crown Life's business and the industry in which it operates, it is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis

(thousands of dollars)

	Percentage Ownership	2000
CIC Pulp Ltd. (a):		
100 (2000 - 100) common shares		
Cost \$100 (2000 - \$100) -----	100.0%	\$ (47,923)
Due from CIC Pulp Ltd. -----		15,926
 Millar Western Pulp (Meadow Lake) Ltd.:		
50 (2000 - 50) common shares		
Cost \$49 (2000 - \$49) -----	50.0%	-
 Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):		
Participating Debenture -----		159,000
Interest Loan -----		261,378
Term Loan -----		20,000
Contingency Loan -----		13,408
Guarantee Advance -----		9,634
Cash Flow Loan -----		12,100
Accrued interest -----		8,310
Less: Deferred interest -----		(275,469)
Provision for loan losses -----		(60,000)
		116,364
 Saskferco Products Inc. (Saskferco) (b):		
68,449,080 (2000 - 68,449,080)		
Class B common shares		
Cost \$68,449,080 (2000 - \$68,449,080) -----	49.0%	106,079
 CIC Foods Inc. (c):		
100 (2000 - 100) common shares		
Cost \$100 (2000 - \$100) -----	100.0%	(61)
Due from CIC Foods Inc. -----		20,000
		19,939
 Saskatchewan Valley Potato Corporation (SVPC) (d):		
100 (2000 - 100) common shares		
Cost \$16,216,499 (2000 - \$16,216,499) -----	100.0%	15,416
Due from SVPC -----		647
		16,063

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

(thousands of dollars)

	Percentage Ownership	2000
Big Sky Farms Inc. (Big Sky) (e):		
3,750,000 (2000 - 3,750,000)		
convertible preferred shares		
Cost \$15,000,000 (2000 - \$15,000,000) -----	40.0%	15,132
101012875 Saskatchewan Ltd. (f):		
1,928,572 (2000 - 1,928,572) common shares		
Cost \$1,928,572 (2000 - \$1,928,572) -----	64.3%	1,929
101012876 Saskatchewan Ltd.		
90 (2000 - 90) common shares		
Cost \$9 (2000 - \$9) -----	64.3%	-
Genex Swine Group Inc. (Genex) (g):		
3,177,347 (2000 - 3,177,347)		
Class A common shares		
Cost \$3,647,586 (2000 - \$3,647,586)	85.4%	
1,662,500 (2000 - 1,662,500)		
Class B preferred shares		
Cost \$3,325,000 (2000 - \$3,325,000) -----		9,957
FarmGro Organic Foods Inc. (FarmGro) (h):		
1,937,500 (2000 - 1,615,314)		
Class B voting preferred shares		
Cost \$1,750,000 (2000 - \$1,588,907) -----	27.2%	607
Due from FarmGro -----		3,150
CIC OSB Products Inc. (CIC OSB) (i):		
100 (2000 - Nil) Class A common shares		
Cost \$100 (2000 - Nil) -----	100.0%	-
Due from CIC OSB -----		-
SGI CANADA Insurance Services Ltd.:		
320,100 (2000 - 320,100)		
Class A common shares		
Cost \$2,000,100 (2000 - \$2,000,100) -----	9.9%	2,068
		\$ 291,288

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis

(thousands of dollars)

	Percentage Ownership	2001	2000
CIC Pulp Ltd. (a):			
100 (2000 - 100) common shares			
Cost \$100 (2000 - \$100) -----	100.0%	\$ (62,932)	\$ (47,923)
Due from CIC Pulp Ltd. -----		17,037	15,926
 Millar Western Pulp (Meadow Lake) Ltd.:			
50 (2000 - 50) common shares			
Cost \$49 (2000 - \$49) -----	50.0%	-	-
 Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):			
Participating Debenture -----		159,000	159,000
Interest Loan -----		308,228	261,378
Term Loan -----		20,517	20,000
Contingency Loan -----		14,418	13,408
Guarantee Advance -----		10,361	9,634
Cash Flow Loan -----		13,012	12,100
Accrued interest -----		9,250	8,310
Less: Deferred interest -----		(326,425)	(275,469)
Provision for loan losses -----		(60,000)	(60,000)
		102,466	116,364
 Saskferco Products Inc. (Saskferco) (b):			
68,449,080 (2000 - 68,449,080)			
Class B common shares			
Cost \$68,449,080 (2000 - \$68,449,080) -----	49.0%	109,303	106,079
 CIC Foods Inc. (c):			
100 (2000 - 100) common shares			
Cost \$100 (2000 - \$100) -----	100.0%	(399)	(61)
Due from CIC Foods Inc. -----		20,013	20,000
		19,614	19,939
 Saskatchewan Valley Potato Corporation (SVPC) (d):			
100 (2000 - 100) common shares			
Cost \$16,216,499 (2000 - \$16,216,499) -----	100.0%	(1,163)	15,416
Due from SVPC -----		2,842	647
		1,679	16,063

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

(thousands of dollars)

	Percentage Ownership	2001	2000
Big Sky Farms Inc. (Big Sky) (e):			
3,750,000 (2000 - 3,750,000)			
convertible preferred shares			
Cost \$15,000,000 (2000 - \$15,000,000) -----	40.0%	15,332	15,152
101012875 Saskatchewan Ltd. (f):			
1,928,572 (2000 - 1,928,572) common shares			
Cost \$1,928,572 (2000 - \$1,928,572) -----	64.3%	1,463	1,929
101012876 Saskatchewan Ltd.			
90 (2000 - 90) common shares			
Cost \$9 (2000 - \$9) -----	64.3%	-	-
		1,463	1,929
Genex Swine Group Inc. (Genex) (g):			
3,177,347 (2000 - 3,177,347)			
Class A common shares			
Cost \$3,647,586 (2000 - \$3,647,586)	85.4%		
1,662,500 (2000 - 1,662,500)			
Class B preferred shares			
Cost \$3,325,000 (2000 - \$3,325,000) -----		11,495	9,957
FarmGro Organic Foods Inc. (FarmGro) (h):			
1,937,500 (2000 - 1,615,314)			
Class B voting preferred shares			
Cost \$1,750,000 (2000 - \$1,588,907) -----	27.2%	(31)	607
Due from FarmGro -----		3,685	3,150
		3,654	3,757
CIC OSB Products Inc. (CIC OSB) (i):			
100 (2000 - Nil) Class A common shares			
Cost \$100 (2000 - Nil) -----	100.0%	-	-
Due from CIC OSB -----		250	-
		250	-
SGL CANADA Insurance Services Ltd.:			
320,100 (2000 - 320,100)			
Class A common shares			
Cost \$2,000,100 (2000 - \$2,000,100) -----	9.9%	2,030	2,068
		\$ 267,286	\$ 291,288

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

- a) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50 per cent interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

The Corporation's loans to MLPLP include the:

- Participating Debenture which bears interest at 11.15 per cent calculated annually on October 31.
- Term Loan which bears interest at prime plus 2 per cent, or 6.0 per cent at December 31, 2001 (2000 - 9.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Contingency Loan which bears interest at prime plus 1 per cent, or 5.0 per cent, at December 31, 2001 (2000 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance which bears interest at prime plus 1 per cent, or 5.0 per cent, at December 31, 2001 (2000 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Cash Flow which bears interest at prime plus 1 per cent, or 5.0 per cent, at December 31, 2001 (2000 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan.

If, by October 31, 2014, less than \$159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between \$159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 1.98 per cent at December 31, 2001 (2000 - 5.63 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

On June 14, 2001, MLPLP refinanced its long-term debt with Sun Life Financial and Ontario Municipal Employees Retirement System (OMERS). As part of the refinancing agreement, CIC guaranteed MLPLP's long-term debt payments to Sun Life Financial and OMERS to a maximum of \$80 million. Subsequent to year end, CIC has paid \$2 million on this guarantee.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2001. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

- b) The Corporation holds a 49 per cent interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.
- c) The Corporation through its wholly-owned subsidiary CIC Foods Inc., owns a 35 per cent interest in a partnership owning 100 per cent of Centennial Foods (Centennial).

The Corporation's partnership agreement includes a provision that allows Centennial 2000 Inc. to withdraw capital to pay any tax liabilities resulting from its ownership of Centennial. The Corporation does not have matching capital withdrawal rights. As a result the Corporation is treating Centennial 2000 Inc.'s capital withdrawal as a priority distribution and charging the Corporation's share of income with the Corporation's 35 per cent contribution to Centennial 2000 Inc.

Included in Centennial's financial statements are liabilities owing to Centennial 2000 Inc. due to certain tax liabilities agreed to be paid by Centennial. The establishment of these liabilities is based on known facts and interpretation of circumstances. As a result, the recorded amount of these liabilities could change in the near future.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

- d) The Corporation holds 100 per cent of the Class A Voting common shares of SVPC (2000 - 100 per cent). SVPC is a seed potato production and storage company in the Lake Diefenbaker area. During the year, SVPC recorded a provision for asset impairment of \$14.3 million.

The Corporation provides SVPC with a line of credit not to exceed \$3.0 million (2000 - \$2.0 million), due on demand. The credit line bore interest at Bank of Montreal prime less 0.75 per cent up to March 1, 2001 and is non-interest bearing thereafter. At December 31, 2001, SVPC has \$2.8 million (2000 - \$0.6 million) outstanding on their credit line.

- e) The Corporation holds a 40.0 per cent interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan.

The preferred shares have an annual cumulative dividend of 5 per cent for the first five years from the date of issue, thereafter, a 10 per cent cumulative dividend rate.

The preferred shares may be converted to common shares by the holder, on a one-to-one basis, anytime in the first five years from date of issue. Furthermore, the preferred shares are retractable or redeemable after seven years from the issue date.

The Corporation holds an option to acquire additional convertible voting preferred shares at a rate of one share for every 10 shares held.

- f) The Corporation holds a 64.3 per cent interest in 101012875 Saskatchewan Ltd. The remaining 35.7 per cent of 101012875 Saskatchewan Ltd. is held by Saskatchewan Opportunities Corporation, a related company.

The Corporation, through its subsidiary 101012875 Saskatchewan Ltd., entered into a partnership agreement with Royal Bank Financial Group and SGF Soquia Inc. to create Foragen Technologies Limited Partnership (Foragen Partnership), a venture capital fund which will offer seed capital to technology corporations. 101012875 Saskatchewan Ltd. owns 33.3 per cent of Foragen Partnership and has committed to providing \$14.0 million in equity to Foragen Partnership over the five years ending 2005. The Corporation's portion of responsibility for providing funding to 101012875 Saskatchewan Ltd. is \$9.0 million. At December 31, 2001, the Corporation has provided \$1.9 million of this commitment.

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CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

- g) The Corporation owns 85.4 per cent of the Class A common shares (2000 - 85.4 per cent) of Genex, a swine genetics company located in Regina, Saskatchewan. In addition, the Corporation holds 86.2 per cent (2000 - 86.2 per cent) of the Class B non-voting preferred shares of Genex which bear a cumulative dividend of 8 per cent per annum payable quarterly. These preferred shares are convertible to common shares on a one-for-one basis.
- h) The Corporation holds 1,937,500 (2000 - 1,615,314) Class B voting 7 per cent cumulative preferred shares of FarmGro Organic Foods Inc. (FarmGro) located near Regina, Saskatchewan. The preferred shares owned by the Corporation represent a 27.2 per cent (2000 - 27.7 per cent) interest in FarmGro. After completion of FarmGro's fourth year of operations, the Corporation has the right to request redemption of up to 25 per cent of its shareholdings.

The Corporation also provided \$3.7 million (2000 - \$3.2 million) of debt financing to FarmGro. This loan is repayable on demand and bears interest at 10 per cent calculated and payable monthly.

- i) On December 12, 2001, the Corporation incorporated CIC OSB Products Inc., a wholly-owned subsidiary, to enter into a limited partnership, Meadow Lake OSB Limited Partnership (ML OSB) with Tolko Industries Ltd., Meadow Lake OSB Mill Corporation and Northwest Communities Wood Products Ltd. for the purpose of constructing and operating an oriented strand board facility in Saskatchewan. The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest.
- j) (Losses) earnings from equity investments are as follows (thousands of dollars):

	2001		2000
CIC Pulp Ltd. -----	\$ (15,009)	\$	17,712
Saskferco Products Inc. -----	3,125		3,065
CIC Foods Inc. -----	(337)		(61)
Saskatchewan Valley Potato Corporation -----	(16,579)		(801)
Big Sky Farms Inc. -----	945		374
101012875 Saskatchewan Ltd. -----	(466)		-
Genex Swine Group Inc. -----	1,000		1,478
FarmGro Organic Foods Inc. -----	(559)		(682)
SGI CANADA Insurance Services Ltd. -----	(30)		(202)
CIC OSB Products Inc. -----	-		-
Western Canadian Beef Packers Inc. -----	-		(2,999)
	\$ (27,012)	\$	17,884

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

5. Investments – Equity Basis (continued)

- g) The Corporation owns 85.4 per cent of the Class A common shares (2000 - 85.4 per cent) of Genex, a swine genetics company located in Regina, Saskatchewan. In addition, the Corporation holds 86.2 per cent (2000 - 86.2 per cent) of the Class B non-voting preferred shares of Genex which bear a cumulative dividend of 8 per cent per annum payable quarterly. These preferred shares are convertible to common shares on a one-for-one basis.
- h) The Corporation holds 1,937,500 (2000 - 1,615,314) Class B voting 7 per cent cumulative preferred shares of FarmGro Organic Foods Inc. (FarmGro) located near Regina, Saskatchewan. The preferred shares owned by the Corporation represent a 27.2 per cent (2000 - 27.7 per cent) interest in FarmGro. After completion of FarmGro's fourth year of operations, the Corporation has the right to request redemption of up to 25 per cent of its shareholdings.

The Corporation also provided \$3.7 million (2000 - \$3.2 million) of debt financing to FarmGro. This loan is repayable on demand and bears interest at 10 per cent calculated and payable monthly.

- i) On December 12, 2001, the Corporation incorporated CIC OSB Products Inc., a wholly-owned subsidiary, to enter into a limited partnership, Meadow Lake OSB Limited Partnership (ML OSB) with Tolko Industries Ltd., Meadow Lake OSB Mill Corporation and Northwest Communities Wood Products Ltd. for the purpose of constructing and operating an oriented strand board facility in Saskatchewan. The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest.
- j) (Losses) earnings from equity investments are as follows (thousands of dollars):

	2001	2000
CIC Pulp Ltd.	\$ (15,009)	\$ 17,712
Saskferco Products Inc.	3,225	3,065
CIC Foods Inc.	(337)	(61)
Saskatchewan Valley Potato Corporation	(16,579)	(801)
Big Sky Farms Inc.	948	374
101012875 Saskatchewan Ltd.	(466)	
Genex Swine Group Inc.	1,803	1,478
FarmGro Organic Foods Inc.	(559)	(682)
SGI CANADA Insurance Services Ltd.	(38)	(202)
CIC OSB Products Inc.	-	
Western Canadian Beef Packers Inc.	-	(2,999)
	<u>\$ (27,012)</u>	<u>\$ 17,884</u>

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

6. Investments – Cost Basis

(thousands of dollars)

	2001	2000
Premium Brands Inc. -----	\$ 15,000	\$ -
Primaxis Technology Ventures Incorporated -----	5,000	5,000
Regina Motion Picture Video & Sound Ltd. -----	4,500	-
BIOSTAR Inc. -----	110	2,580
101026817 Saskatchewan Ltd. -----	700	-
Other -----	2,600	2,695
	<u>\$ 27,910</u>	<u>\$ 10,275</u>

7. Investments – Properties

(thousands of dollars)

	2001	2000
Property held for sale -----	\$ 4,027	\$ 6,775
Rental properties -----	1,140	3,261
	<u>5,167</u>	<u>10,036</u>
Less: Accumulated amortization -----	139	1,198
	<u>\$ 5,028</u>	<u>\$ 8,838</u>

8. Due to Crown Investments Corporation of Saskatchewan

Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

9. Share Capital

(thousands of dollars)

	2001	2000
Authorized		
Unlimited shares with no par value		
Issued and outstanding		
34,000,000 shares (2000 - 34,000,000) -----	\$ 340,000	\$ 340,000

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

10. Commitments and Contingencies

- a) The Corporation assumed responsibility for the Community Bonds Program in 1997. The remaining guarantees under this program amount to \$0.4 million (2000 - \$1.8 million).
- b) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued \$2.6 million (2000 - \$2.7 million) to carry out the clean-up activities.
- c) The Corporation has guaranteed SVPC's mortgage debt and demand loan due to the CIBC. At December 31, 2001, the Corporation's exposure to this guarantee is \$5.7 million (2000 - \$5.4 million).
- d) The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest.
- e) The Corporation has committed to provide its subsidiary, 101012875 Saskatchewan Ltd. up to \$9.0 million to fund their investment in Foragen. To December 31, 2001 the Corporation has provided \$1.9 million of this commitment.
- f) The Corporation has committed, through its subsidiary 101026817 Saskatchewan Ltd., to purchase up to \$7.0 million in partnership units of Western Life Sciences Venture Fund LP. To December 31, 2001, the Corporation has provided \$0.7 million of this commitment.

11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands of dollars):

Category (as per financial statements)	2001	2000
Interest and accounts receivable -----	\$ 1,056	\$ 802
Accounts payable -----	7	8
Interest, rental and other revenue -----	883	2,154
Property expense -----	66	105

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

6. Investments – Cost Basis

(thousands of dollars)

	2000
Premium Brands Inc.	\$ -
Primaxis Technology Ventures Incorporated	5,000
Regina Motion Picture Video & Sound Ltd.	-
BIOSTAR Inc.	2,580
101026817 Saskatchewan Ltd.	-
Other	2,695
	\$ 10,275

7. Investments – Properties

(thousands of dollars)

	2000
Property held for sale	\$ 6,775
Rental properties	3,261
	10,036
Less: Accumulated amortization	1,198
	\$ 8,838

8. Due to Crown Investments Corporation of Saskatchewan

Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

9. Share Capital

(thousands of dollars)

	2000
Authorized	
Unlimited shares with no par value	
Issued and outstanding	
34,000,000 shares (2000 - 34,000,000)	\$ 340,000

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

10. Commitments and Contingencies

- a) The Corporation assumed responsibility for the Community Bonds Program in 1997. The remaining guarantees under this program amount to \$0.4 million (2000 - \$1.8 million).
- b) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued \$2.6 million (2000 - \$2.7 million) to carry out the clean-up activities.
- c) The Corporation has guaranteed SVPC's mortgage debt and demand loan due to the CIBC. At December 31, 2001, the Corporation's exposure to this guarantee is \$5.7 million (2000 - \$5.4 million).
- d) The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest.
- e) The Corporation has committed to provide its subsidiary, 101012875 Saskatchewan Ltd. up to \$9.0 million to fund their investment in Foragen. To December 31, 2001 the Corporation has provided \$1.9 million of this commitment.
- f) The Corporation has committed, through its subsidiary 101026817 Saskatchewan Ltd., to purchase up to \$7.0 million in partnership units of Western Life Sciences Venture Fund LP. To December 31, 2001, the Corporation has provided \$0.7 million of this commitment.

11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

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CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

11. Related Party Transactions (continued)

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services to the Corporation without charge.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

12. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of MIPLP through CIC Pulp Ltd. and Centennial Foods Partnership through CIC Foods Inc. The Corporation's pro rata share of its interest in these joint ventures is as follows (thousands of dollars):

	2001	2000
Current assets -----	\$ 47,778	\$ 53,981
Long-term assets -----	150,763	151,930
Current liabilities -----	34,231	28,597
Long-term liabilities -----	42,129	41,011
Equity -----	122,181	136,303
Revenue -----	121,347	104,497
Expenses -----	135,516	85,561
Net earnings -----	(14,169)	18,936
Cash flows from operating activities -----	22,311	52,133
Cash flows from investing activities -----	(4,325)	1,048
Cash flows from financing activities -----	(1,777)	(19,270)

13. Comparative Figures

The non-consolidated financial statements as at December 31, 2000, and for the year then ended were audited by other auditors who expressed an opinion that the non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000, except they were prepared on a non-consolidated basis, in their report dated March 9, 2001.

Certain of the 2000 comparative figures have been reclassified to conform with the current year's presentation.

CIC Industrial Interests Inc.
Notes to Non-Consolidated Financial Statements
December 31, 2001

11. Related Party Transactions (continued)

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

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These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

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13. Comparative Figures

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Certain of the 2000 comparative figures have been reclassified to conform with the current year's presentation.

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